

# Turbo Finance 6 Investor Presentation

February 2016



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# Executive Summary

- Following on from the successful issuance of five previous Turbo Finance transactions, MotoNovo Finance (“**MotoNovo**”) is pleased to present its 6<sup>th</sup> securitisation of prime UK auto loan receivables, Turbo Finance 6 plc (“**Turbo 6**”):
  - Sterling denominated pool of primarily used vehicle auto loan receivables, with no residual value risk
  - 12 month revolving period, during which principal proceeds will be used to purchase additional receivables, subject to amortisation triggers and pool covenants
  - Warm Back-up Servicer, Homeloan Management Ltd. (“**HML**”) appointed at closing
  - Pass-through waterfall structure with sequential payments and provisioning for gross default & voluntary termination losses through excess spread
  - Class A & Class B notes benefit from the full subordination of junior note interest
  - UK domiciled, stand-alone SPV
- Credit enhancement to the Class A and Class B notes will be provided by:
  - Cash Reserve Account
  - Note Subordination
  - Estimated excess spread at closing of above [10.98]%<sup>1</sup>

Tranche	Expected Rating (S/M)	Currency	Amount (£m)	% of Total	Credit Enhancement (%) <sup>2</sup>	WAL <sup>3</sup>	Final Maturity Date	Coupon <sup>4</sup>	Status <sup>5</sup>
A	[AAAsf/Aaa(sf)]	GBP	[●]	[90.0]	[10.7]	[2.36]	[Feb 2023]	1m£L + [●]	Offered
B	[AA-sf/Aa3(sf)]	GBP	[●]	[7.5]	[3.2]	[4.42]	[Feb 2023]	1m£L + [●]	Offered
C	[BBBsf/Ba2(sf)]	GBP	[●]	[2.5]	[0.7]	[N/A]	[Feb 2023]	[Fixed]	Retained
D	[NR/NR]	GBP	[●]	[0.7]	0.0	[N/A]	[Feb 2023]	[Fixed]	Retained
<b>Total</b>			<b>[●]</b>	<b>100.7</b>					

- Estimated post-swap asset yield less estimated senior expenses, Class A Interest and Class B Interest expressed as a percentage of Provisional Portfolio
- Subordination and [0.7]% initial cash reserve fund (excluding excess spread)
- 20% CPR assumption, zero losses, zero defaults and no Amortisation Event occurs
- 1m£L + [●] or zero if 1 month £ Libor plus the margin for the respective Notes is less than zero
- The originator or an affiliate of the originator may purchase a portion of the Offered notes upon closing

# Key Transaction Features

## Portfolio<sup>1</sup>

- UK retail auto loan portfolio originated and serviced by MotoNovo
- Granular Provisional Portfolio with average auto loan size of £[7,349.21]
- Used cars [94.90]% / New cars [5.10]%
- Individual [94.80]% / Company [5.20]%
- 100% fixed rate auto loans
- [0.55]% of the portfolio (by balance) relates to agreements with a final balloon payment
- VW Group's diesel engine cars are excluded from the pool, maximum exposure to VW Group assets 10%

## Sponsor / Servicer Strength

- MotoNovo is a business segment of FirstRand Bank Limited (London Branch). FirstRand Bank Limited (“**FRB**”) is a wholly-owned subsidiary of FirstRand Limited. FRB is currently rated BBB-/A-3 and Baa2/P-2 by Standard and Poor's and Moody's, respectively
- FRB is one of the largest financial institutions in South Africa by market capitalisation
- HML appointed as “warm” Back-up Servicer at the Closing Date

## Robust Structure

- The receivables will be transferred to a newly established SPV incorporated and registered in England and Wales
- Credit enhancement of [10.7]% for the Class A Notes and [3.2]% for the Class B Notes
- Partially funded Cash Reserve Account at issuance sized at [0.7]% of the Aggregate Initial Cut-Off Date Principal Balance and builds up to [1.3]% within the first [three] months with excess spread
- Estimated excess spread at closing of above [10.98]%<sup>2</sup>
- [12] month revolving period subject to amortisation triggers and pool covenants
- A representative sample of receivables equal to 5% of the Provisional Portfolio will be randomly selected and retained before closing and on each Additional Purchase Date during the revolving period<sup>3</sup>
- The Preliminary Prospectus has been prepared in accordance with the Bank of England's Discount Window Facility (“**DWF**”) eligibility criteria for Auto Loan ABS, however there is no guarantee that the Notes will be eligible as DWF collateral
- An application has been submitted for the Class A Notes to receive the PCS label

## Transaction Reporting

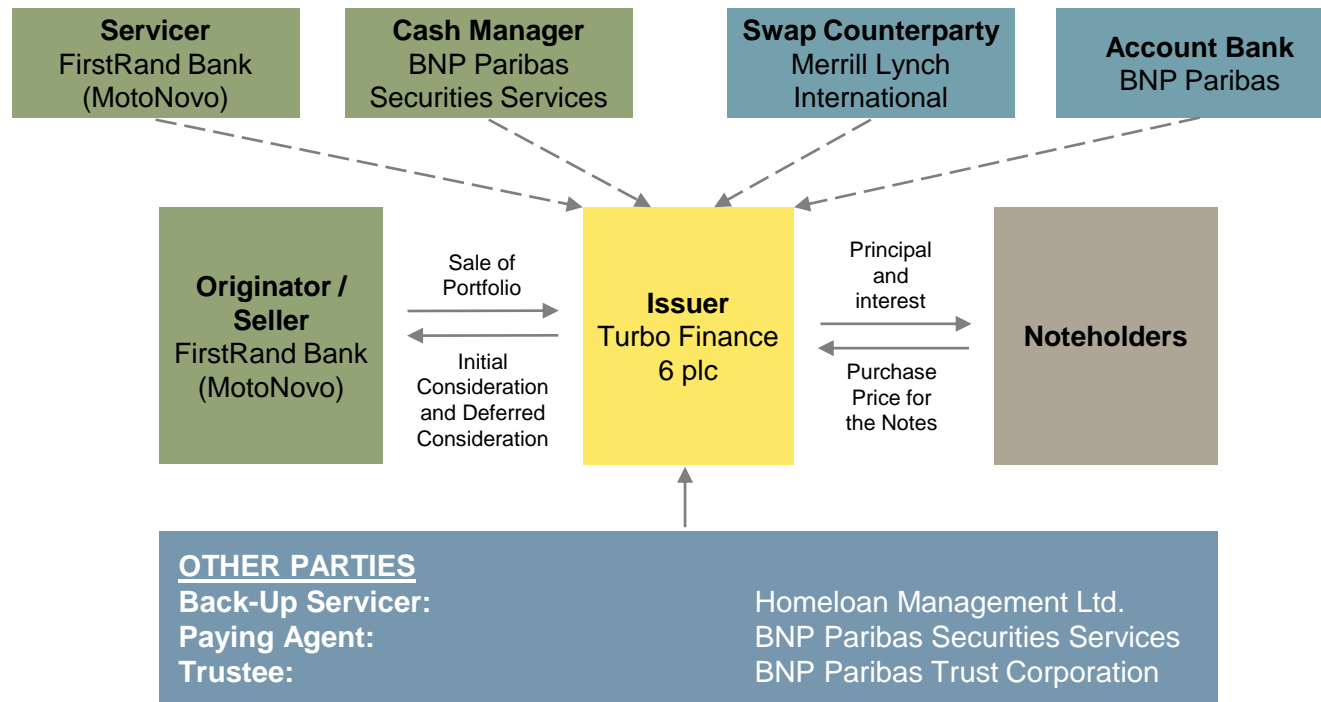
- Cash flow modelling available on Intex, ABSNet, Moody's Analytics and Bloomberg
- Bloomberg ticker <TURBF 6 Mtge>

1. Figures are based on the Provisional Portfolio as at [31 December 2015]

2. Estimated post-swap asset yield less estimated senior expenses, Class A Interest and Class B Interest expressed as a percentage of Provisional Portfolio

3. Criteria to meet the requirement of Articles 404-410 of the EU Capital Requirements Regulation and Section 5 of the Commission Delegated Regulation 231/2013 (AIFMR)

# Key Transaction Counterparties



Role	Counterparty	Current Rating <sup>1</sup> (S&P's & Moody's)	Rating Trigger (S&P's & Moody's)	Possible Trigger Effects
Account Bank	BNP Paribas London Branch	[A+/A-1 & A1/P-1]	[A/F1 & P-1]	Replacement, guarantee of obligations
Servicer	FirstRand Bank (London Branch), trading as MotoNovo Finance	[BBB-/A-3 & Baa2/P-2]	[BBB- & Baa3]	Deliver Purchased Receivable Records to Issuer
Swap Counterparty	Merrill Lynch International	[A/A-1 & Aa3] <sup>2</sup>	[A & A-3]	a: Collateral posting b: Obtain guarantee or replacement

1. All ratings as at [29 January 2016]
2. The Moody's rating is for Merrill Lynch Derivative Products ("MLDP")



# Comparison of Turbo Finance transactions

	Turbo Finance 6	Turbo Finance 5	Turbo Finance 4	Turbo Finance 3
Revolving <sup>1</sup> / Static Structure	12 month Revolving Period	12 month Revolving Period	12 month Revolving Period	Static
Note Credit Enhancement <sup>2</sup>	Class A: [10.7]% Class B: [3.2]%	Class A: 12.8% Class B: 3.8%	Class A: 13.3% Class B: 4.3%	Class A: 18.1% Class B: 9.6%
Excess Spread	> [10.98]% <sup>3</sup>	> 11.75%	> 12.5%	> 12.0%
Account Bank	BNP Paribas	BNP Paribas	U.S. Bank	BNP Paribas
Swap Counterparty	Merrill Lynch International	HSBC Bank plc	HSBC Bank plc	JP Morgan Securities plc
Cash Reserve at Closing	[0.7]% to ramp up to [1.3]% within the first [three] months from the closing date	1.3%	1.3%	1.6%
Fitch Assumptions	n/a	AAA VT Losses: 6.5%	AAA VT Losses: 8.3%	AAA VT Losses: 9.7%
Moody's Assumptions	Base-Case Default Rate: 4.75% Base-Case Recovery Rate: 45.0%	Base-Case Default Rate: 4.0% Base-Case Recovery Rate: 45.0%	Base-Case Default Rate: 4.0% Base-Case Recovery Rate: 40.0%	Base-Case Default Rate: 4.25% Base-Case Recovery Rate: 35.0%
S&P Assumptions	Base-Case Default Rate: 5.0% Base-Case Recovery Rate: 30.0%	n/a	n/a	n/a

1. Subject to amortisation triggers and pool covenants

2. Note subordination and cash reserve fund. Excludes excess spread

3. Estimated post-swap yield less estimated senior expenses. Class A Interest and Class B Interest expressed as a percentage of Provisional Portfolio

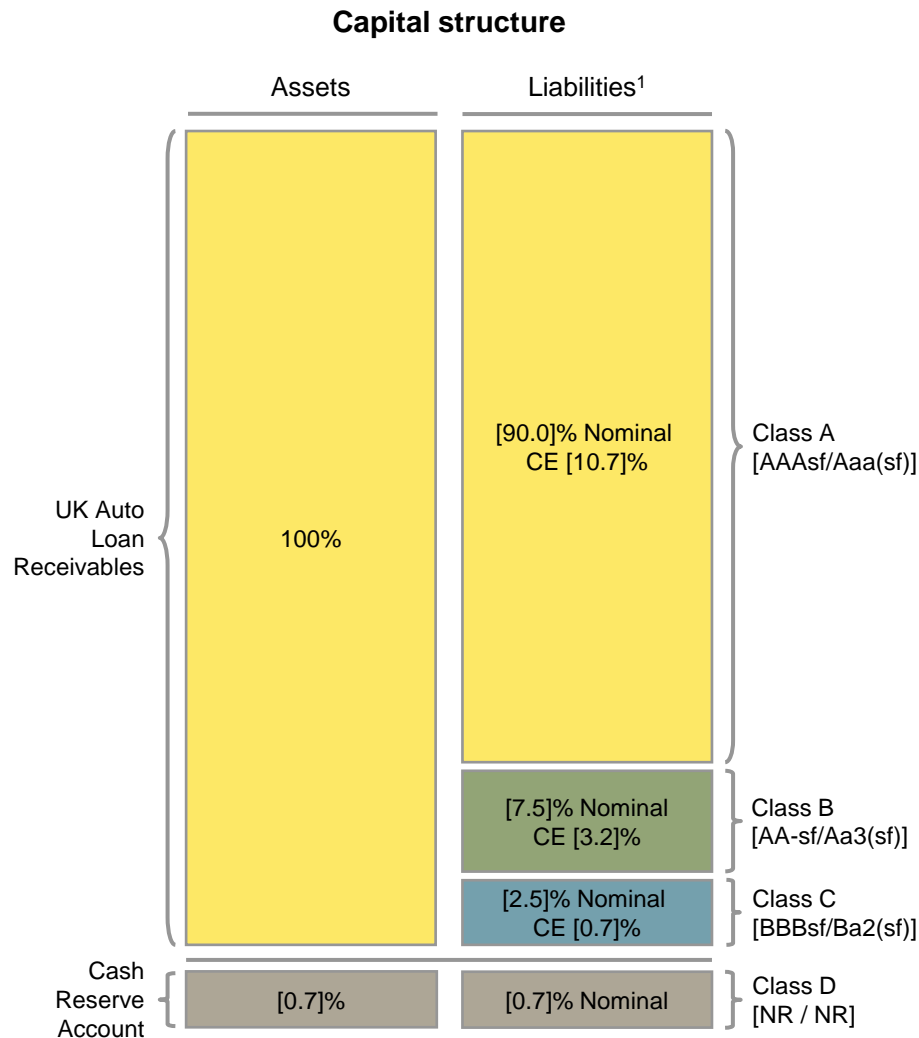
# Provisional Portfolio Comparison

	<b>Turbo Finance 6 Provisional Portfolio</b>	Driver UK Three (Volkswagen Financial Services (UK) Ltd)	E-CARAT 5 plc (GMAC UK plc)	Motor 2015-1 plc (Santander Consumer (UK) plc)	Turbo Finance 5 plc (FirstRand Bank Ltd)
Closing Date	[Feb-16]	Sep-15	Apr-15	Mar-15	Sep-14
Country of Receivables	UK	UK	UK	UK	UK
Rating Agencies	S&P/Moody's	DBRS/Fitch/S&P	S&P/Moody's	S&P/Moody's	Fitch/Moody's
Back-Up Servicer	Yes	No	Yes	No	Yes
Revolving Period (months)	12	6	-	12	12
Number of Contracts	[53,342]	76,654	55,331	89,978	61,548
Total Outstanding (£mm)	£[392.0]	£453.4	£525.1	£839.1	£391.7
Average Loan Size (£)	£[7,349]	£16,450	£9,491	£9,326	£6,364
Vehicle Type (New/Used)	[5]% / [95]%	73% / 28%	78% / 22%	44% / 56%	6% / 94%
Loan Type (Fully Amortizing/ Balloon)	[99]% / [1]%	10% / 90%	80% / 20%	73% / 27%	98% / 2%
Weighted Average Customer Effective Rate	[12.72]%	6.66%	6.32%	6.93%	14.82%
Weighted Average Seasoning (months)	[4]	6	5	8	8
Weighted Average Remaining Term (months)	[48]	39	47	40	45
Maximum Original Maturity (months)	[60]	61	60	60	61

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# Credit Enhancement and Capital Structure



## Credit Enhancement

- Credit Enhancement for the Class A and Class B notes is provided by note subordination and the Cash Reserve Account
- The transaction also benefits from an estimated average excess spread at closing of above [10.98]%<sup>2</sup>
- The transaction is structured to pay interest and principal (following the end of the Revolving Period) sequentially to the Class A and then Class B notes after payment of senior expenses
- Interest and principal payments to the Class C and D notes is subordinated to principal on the Class A and Class B notes as per the Pre-Enforcement Order of Priority (please refer to priority of payments as set out on the following slide)
- Any losses due to insufficient cash flows will (i) first be covered by excess spread and then (ii) be borne by the subordinated notes in reverse order of seniority

## Cash Reserve Account

- The Cash Reserve Account will be partly funded at closing from the proceeds of the sale of the Class D notes to FirstRand Group at [0.7%] building up to [1.3%] within the first [three] months with excess spread
- The Cash Reserve Account will be required to be funded up to the Specified Cash Reserve Account Required Balance determined as:
  - [1.3%] of the Aggregate Initial Cut-Off Date Principal Balance during the revolving period
  - Amortising to [1.3%] of the current balance, subject to a floor of [0.5%] of the Aggregate Initial Cut-Off Date Principal Balance
- The Cash Reserve Account will be available to support interest payments on the Class A and Class B notes and pay principal on the Notes at the Final Maturity Date

## Hedging Strategy

- The Swap Counterparty (Merrill Lynch International) will enter into a balance-guaranteed interest rate swap with Turbo 6 to hedge the mismatch between fixed rate paying assets and floating rate liabilities on the Class A and Class B notes. The Swap Counterparty will pay 1-month Sterling LIBOR on the notional outstanding of Class A and Class B notes and receive a fixed rate from the Issuer
- The Swap Counterparty will be subject to collateral posting and replacement triggers from S&P's & Moody's<sup>3</sup>.

1. Nominal Credit Enhancement ("CE") excludes Excess Spread, and includes [0.7%] Cash Reserve Account  
 2. Estimated post-swap asset yield less estimated senior expenses, Class A Interest and Class B Interest expressed as a percentage of Provisional Portfolio  
 3. Merrill Lynch International will benefit from a guarantee from an affiliated entity, Merrill Lynch Derivative products "(MLDP)", in relation to rating requirements.

# Priority of payments

## Pre-Enforcement Order of Priority

Senior Expenses
Payments to the Swap Counterparty
Interest on Class A Notes
Interest on Class B Notes
Payments to the Cash Reserve Account
During the Revolving Period, Purchase of Additional Receivables and/or payment to the Replenishment Ledger
Principal on Class A Notes
Principal on Class B Notes
Interest on Class C Notes
Principal on Class C Notes
Payments to the Swap Counterparty (if counterparty is the defaulting party)
Interest on Class D notes
Principal on Class D notes
Issuer Retained Profit
Deferred Purchase Price

## Post-Enforcement Order of Priority

Senior Expenses*
Payments to the Swap Counterparty
Interest and Principal on Class A Notes
Interest and Principal on Class B Notes
Interest and Principal on Class C Notes
Payments to the Swap Counterparty (if counterparty is the defaulting party)
Interest and Principal on Class D notes
Issuer Retained Profit
Deferred Purchase Price

\* Includes any post-enforcement payments to an insolvency official

# Revolving Period

- The revolving period will commence on the Closing Date and ends on the earlier of:
  - The Payment Date following the Additional Cut-Off Date in [February 2017]
  - The day on which an Amortisation Event has occurred
- No principal will be paid on the Notes during the revolving period
- Instead, principal amounts which would have been used to amortise the Notes may be used to purchase additional receivables in accordance with the Pre-Enforcement Order of Priority
  - If such amounts are not applied to purchase additional receivables then they will be credited to the Issuer's account and recorded on the Replenishment Ledger up to an amount equal to the Replenishment Amount
  - Excess Spread is used to fund the purchase of additional receivables to cure losses resulting from defaults and voluntary terminations
- An "**Amortisation Event**" means the occurrence of any of the following:
  - On any Calculation Date, the Delinquency Ratio exceeds [2.5]%<sup>1</sup>;
  - On any Calculation Date, the Cumulative Net Loss Ratio exceeds [3.0]%<sup>2</sup>;
  - On two consecutive Payment Dates, the amount of principal not used to purchase additional receivables but credited to the Issuer's account and recorded on the Replenishment Ledger is greater than [10]% of the Aggregate Initial Cut-Off Date Principal Balance;
  - The occurrence of an Event of Default or Termination Event under the swap agreement;
  - The occurrence of an Enforcement Event or Notification Event;
  - The Cash Reserve Account is not funded up to the required balance<sup>3</sup>;
  - The performing balance of the receivables plus amounts available to purchase additional receivables is less than the aggregate principal amount of the rated Notes
- The purchase of the Additional Receivables will also be subject to the following eligibility criteria with respect to the portfolio composition following the sale:
  - Maximum percentage of purchased receivables related to balloon payments  $\leq$  [3.00]% (Provisional Portfolio = [0.55]%)
  - Maximum percentage of purchased receivables related to financing LCVs  $\leq$  [14.00]% (Provisional Portfolio = [13.91]%)
  - Minimum weighted average effective rate applicable to the portfolio  $\geq$  [12.50]% (Provisional Portfolio = [12.72]%)
  - Weighted average remaining term of the portfolio  $\leq$  [50] months (Provisional Portfolio = [47.71] months)
  - Weighted average Original LTV of the portfolio  $\leq$  [90.00]% (Provisional Portfolio = [87.74]%)

1. A Delinquent Receivable is defined as a Receivable which is more than 30 days overdue for an amount greater than £70 but less than or equal to 90 days overdue

2. Net loss, in relation to a given period, is the aggregate of defaults and uncovered balances arising from a voluntary termination less recoveries relating to the same period

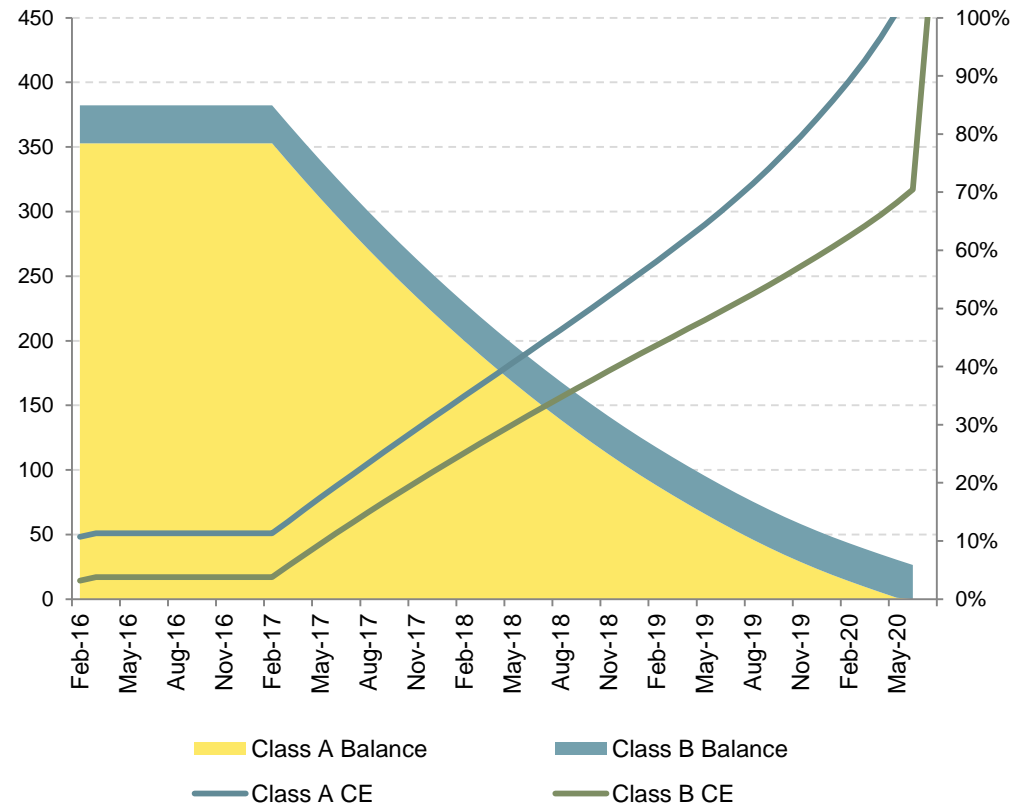
3. Provided that, if on any Payment Date during the first [3] months after closing, the balance of the Cash Reserve Account is between [0.7]% and [1.3]% of the Aggregate Initial Cut Off Date Principal Balance no Amortisation Event shall occur

# Estimated WAL and amortisation profile

## Key assumptions for estimated weighted average life:

- The portfolio is subject to a constant annual rate of prepayment
- The portfolio sold to the Issuer is £[392,021,812]
- The Notes are issued on the assumed Closing Date in [February] 2016
- The original outstanding balance of each Class of Notes is equal to the Principal Amount set forth on the front cover of the Prospectus
- There are no Delinquent Receivables or Defaulted Receivables during the life of the transaction
- No Amortisation Event has occurred and the Revolving Period is assumed to end on but include the Payment Date falling in [February 2017]
- At the end of the Revolving Period, the Portfolio has the same characteristics as the Provisional Portfolio as of [December 2015]
- For further assumptions refer to the Preliminary Prospectus

## Class A & Class B Estimated Amortisation profile:



Annual CPR	0%	5%	10%	15%	20%	25%	30%
Class A (Years)	[2.93]	[2.77]	[2.62]	[2.49]	[2.36]	[2.25]	[2.15]
Class B (Years)	[5.02]	[4.85]	[4.68]	[4.59]	[4.42]	[4.18]	[4.01]

Note: Amortisation & CE profile based on 20% CPR and key assumptions listed on the above. Credit enhancement levels includes note subordination and cash reserve (excludes excess spread)

# Portfolio Summary: Turbo Finance collateral comparison

	<b>Turbo Finance 6 Provisional Portfolio<sup>1,2</sup></b>	Turbo Finance 5 Plc <sup>3</sup>	Turbo Finance 4 Plc <sup>3</sup>	Turbo Finance 3 Plc <sup>3</sup>	Turbo Finance 2 Plc <sup>3</sup>	Turbo Finance Plc <sup>3</sup>
Pricing Date	[Feb-16]	Sep-14	Nov-13	Nov-12	Mar-12	Feb -11
Jurisdiction	UK	UK	UK	UK	UK	UK
Rating Agencies	S&P/Moody's	Fitch/Moody's	Fitch/Moody's	Fitch/Moody's	Fitch/Moody's	Fitch/Moody's
Revolving Period (months)	12	12	12	Static	Static	Static
Number of Contracts	[53,342 ]	61,548	55,234	64,711	52,523	63,541
Total Outstanding (£mm)	£[392.0]	£391.7	£373.8	£367.8	£361.7	£334.7
Average Loan Size (£)	£[7,349]	£6,364	£6,767	£5,683	£6,887	£5,267
Used Cars	[94.90]%	93.81%	96.45%	92.15%	91.86%	89.46%
Private Individual	[94.80]%	94.64%	96.12%	94.21%	93.24%	90.70%
Loans subject to a Final Balloon Payment by Balance	[0.55]%	2.04%	2.91%	3.80%	3.55%	6.09%
Weighted average Customer Effective Rate	[12.72]%	14.82%	14.34%	15.77%	14.84%	13.92%
Weighted average number of rentals (months)	[52]	52	51	51	50	49
Weighted average seasoning (months)	[4]	8	6	11	6	12
Weighted average remaining term (months)	[48]	45	45	41	44	37
Weighted average Original LTV	[87.74]%	86.51%	83.90%	84.92%	84.48%	82.82%

1. Based on the Provisional Portfolio as at [31 December 2015]

2. A representative sample of Receivables equal to 5% of the Pool balance at closing will be randomly selected and retained before closing and on each Additional Purchase Date during the Revolving Period to meet the requirement of Articles 404-410 of the EU Capital Requirements Regulation and Section 5 of the Commission Delegated Regulation 231/2013 (AIFMR)

3. Source: Deal Transaction Documents, portfolio summary information as at respective transactions cut-off dates



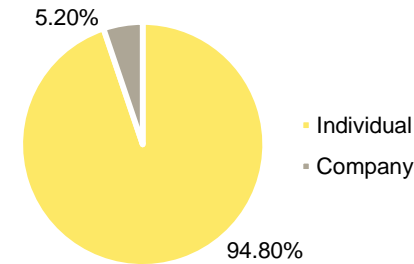
# Provisional portfolio snapshot (for 31<sup>st</sup> Dec 2015)

## Summary Pool Information

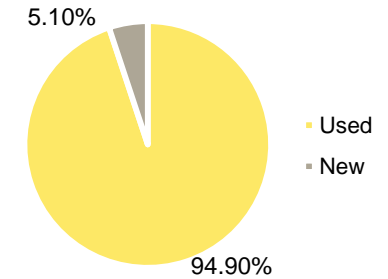
[31<sup>st</sup> December 2015]

Type of Receivable	Auto Loans
Outstanding Balance	£[392,021,812]
Number of Receivables	[53,342]
Weighted Average Current Balance	£[7,349]
Weighted Average Effective Rate	[12.72]%
Weighted Average Original LTV	[87.74]%
Weighted Average Remaining Term	[48]
Weighted Average Seasoning	[4]

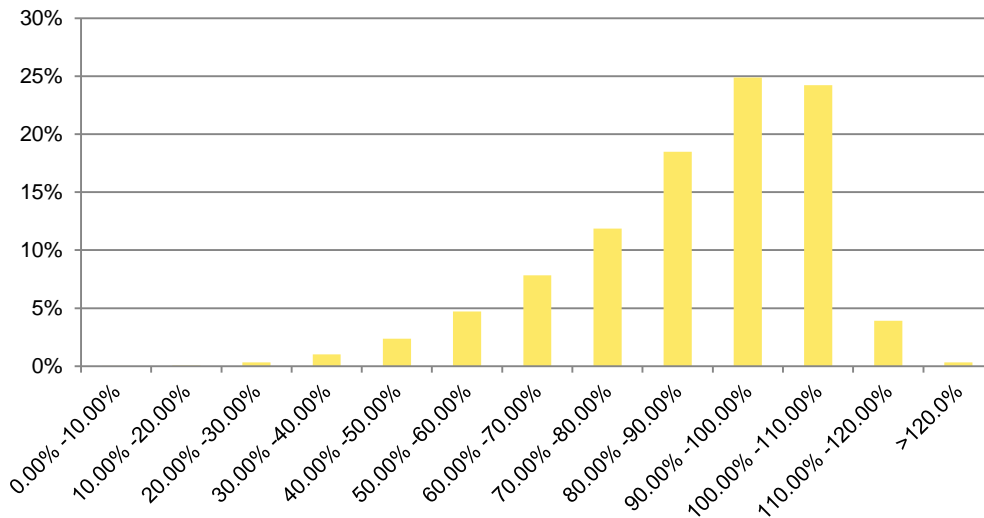
## Borrower Type



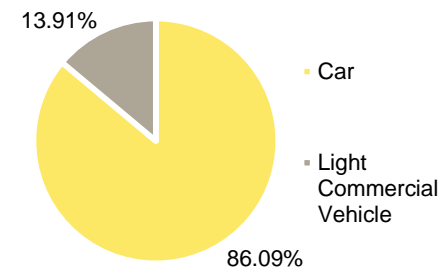
## New/Used



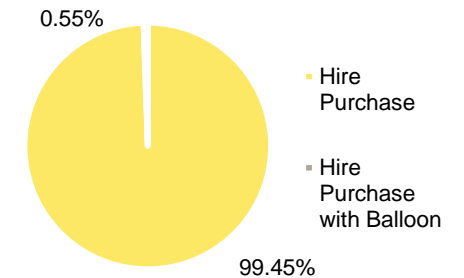
## Original LTV (£)



## Vehicle Type



## Product Description



Please refer to the Preliminary Prospectus for additional Provisional Pool stratifications

# Provisional portfolio snapshot (for 31<sup>st</sup> Dec 2015)

## Top 10 Manufacturers<sup>1</sup>

Manufacturer	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of Contracts	Number of Contracts (%)
Vauxhall	59,261,271	15.12%	9,053	16.97%
Ford	57,832,706	14.75%	8,533	16.00%
BMW	47,245,726	12.05%	5,153	9.66%
Mercedes-Benz	30,906,127	7.88%	2,986	5.60%
Land Rover	21,711,068	5.54%	1,728	3.24%
Nissan	20,937,335	5.34%	2,634	4.94%
Peugeot	17,527,390	4.47%	2,903	5.44%
Citroen	15,607,679	3.98%	2,419	4.53%
Renault	12,318,284	3.14%	2,117	3.97%
FIAT	8,761,503	2.23%	1,571	2.95%

## Top 10 Dealers / Brokers

Dealer / Broker	Outstanding Principal Balance (£)	Outstanding Principal Balance (%)	Number of Contracts	Number of Contracts (%)
Arnold Clark Automobiles Ltd	33,219,111	8.47%	4,994	9.36%
Car Giant	21,146,481	5.39%	2,399	4.50%
Evolution Funding Limited	12,710,918	3.24%	1,706	3.20%
Zuto Limited	10,029,397	2.56%	1,700	3.19%
CarFinance247	6,752,350	1.72%	1,053	1.97%
Kennah Motor Credit Limited	5,513,633	1.41%	894	1.68%
Mann Island Finance Limited	5,275,147	1.35%	589	1.10%
Big Motoring World (West Malling )	4,794,971	1.22%	420	0.79%
CarFinance247 DEAL SAVER	4,149,743	1.06%	533	1.00%
The Trade Centre Wales Limited	3,711,220	0.95%	642	1.20%

1. VW Group's diesel engine cars are excluded from the pool (Audi, Bentley, Bugatti, Lamborghini, Porsche, Seat, Skoda, and Volkswagen). Overall exposure to VW-Group vehicles is c. [7.23]%

Please refer to the Preliminary Prospectus for additional Provisional Pool stratifications

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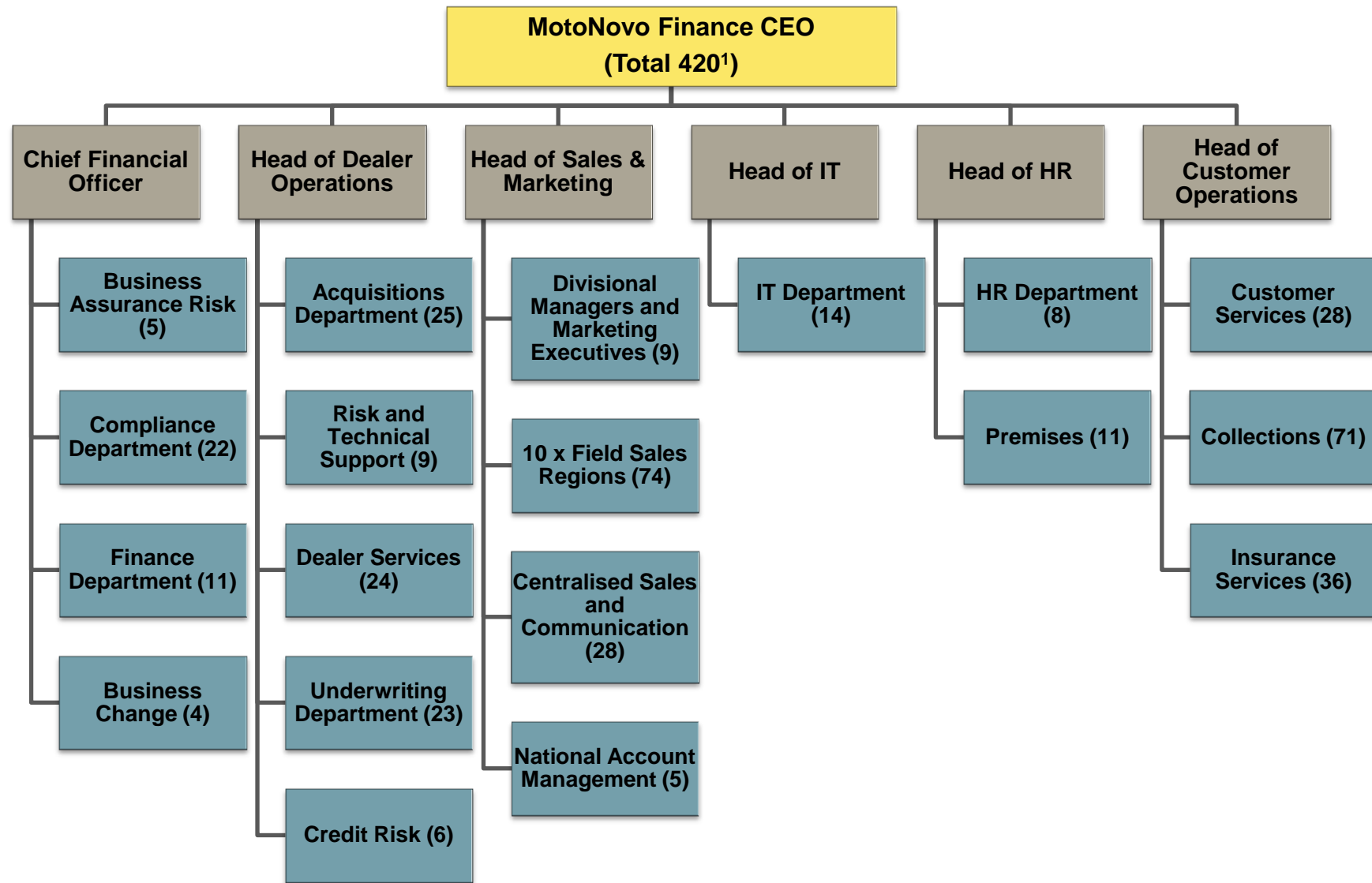
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# MotoNovo Finance history and description

- The business was founded in the mid 1970s by Sir Julian Hodge
- During the 1980s the business became a division of Julian Hodge Bank Ltd under whose parentage it remained until it was acquired by FirstRand in July 2006
- From a small regional player with a focus on South Wales, the business has expanded during the past decade to create a footprint that covers the whole of the UK mainland and Northern Ireland
- MotoNovo changed its name from Carlyle Finance in February 2012 to reflect the significant improvements made to the business under the new ownership structure, and to better reflect our qualities of innovation and change by embracing technology and progressing a consumer centric proposition
- New business levels have increased over the past decade from c. £60m per annum to writing £365m in 2010/11, £438m in 2011/12, £508m in 2012/13, £804m in 2013/14 and £1,154m<sup>1</sup> in 2014/15.
- Net receivables have grown over the same period from c. £80m to be in excess of £1.6bn
- Over the past 10 years the business has been transformed from a manually intensive branch based operation to a centralised and largely automated operation based in Cardiff that focuses on delivering an outstanding customer experience to a wide network of motor retailers and over 270,000 individual hirers. The business currently employs 420 staff in total as at 30 November 2015

1. *MotoNovo Finance Management Accounts, June 2015*

# MotoNovo Organisational Structure & Headcount



1. Actual staff complement as at 30 November 2015

Source: MotoNovo Management

# MotoNovo Management Team



## **Mark Standish, Chief Executive Officer**

Mark has worked within the auto loan industry for 28 years, operating at senior levels within Carlyle Finance, Julian Hodge Bank, Wagon Finance and Capital Bank before joining MotoNovo in November 1999. Aged 48, Mark is the longest serving Head of an independent motor finance company in the UK. Since 2001 he has sat on the Motor Finance Division Management Committee of the Finance & Leasing Association



## **David James, Chief Financial Officer**

David joined MotoNovo in July 2011. Prior to joining he spent 10 years at Julian Hodge Bank (who owned MotoNovo until 2006), and was Finance Director for the last 8 years. He worked for Capital Bank in senior financial roles from 1991 to 2001 in the auto loans business



## **David Briggs, Head of Dealer Operations**

David has been with MotoNovo since 2000 and was promoted to his current role in July 2008. He has been employed within the industry for 29 years. Prior to joining MotoNovo he served in a variety of administration, sales and management roles within Mercantile Credit, Wagon Finance and First National Motor Finance



## **Karl Werner, Head of Sales & Marketing**

Karl has been with MotoNovo since 2003 and was promoted to his current position in January 2008. Prior to joining MotoNovo he spent 6 years in various management positions with Lombard / First National Motor Finance



## **Chris Rowthorn, Head of Customer Operations**

Chris was promoted to his current position in November 2013. Prior to joining the business, Chris had brief stints working for Chartered Trust (now Black Horse) and Fortis Insurance before joining MotoNovo in 2002 and progressing through the managerial ranks



## **Sharon Howes, Head of Information Technology**

Sharon has been with MotoNovo since 2007. Prior to joining MotoNovo she served as an IT Consultant with WesBank and the Oracle Corporation and spent 10 years working within ABSA, designing and implementing front-end and back office financial applications



## **Wendy Matthews, Head of Human Resources**

Wendy has been with MotoNovo since 2001. Prior to joining MotoNovo Wendy served as an HR Manager in the Caudwell Group, Laura Ashley and Peacocks Stores

Source: MotoNovo Management

# MotoNovo's market proposition

- Historically, MotoNovo had focused on the needs of small to medium sized independent used car and LCV dealers
- Thanks to the investment of FirstRand, particularly in the area of point of sale showroom technology and automated credit scoring techniques, the MotoNovo proposition now appeals to a much wider market
- MotoNovo's introducer base now comprises of the following:
  - National and Regional Dealer Groups
  - Car Supermarkets
  - Independent franchised dealers
  - Independent used car dealers
  - Specialist Motor Finance brokers
  - Motorcycle dealers
- C. 85% of all assets financed are used cars, 1% new cars and 11% are new and used Light Commercial Vehicles ("LCV") and 3% Motorcycles
- All business is written on hire purchase agreements over average periods of 45 months with a maximum period of 61 months
- 86% of all business is transacted directly through dealers with c. 14% generated through our motor finance broker relationships
- In addition to the retail finance business MotoNovo also provides wholesale stock funding to dealers. We currently have c. 315 stock funding facilities with balances of approximately £51.2m against facility limits of £67.1m. These facilities are secured against vehicle stocks with additional bricks and mortar security taken where possible. The facilities are provided to secure retail support and typically the reciprocal retail ratio we receive is 9:1
- In addition to our lending activities we sell Payment Protection Insurance (PPI) and GAP insurance attaching to the HP agreement (PPI and GAP insurance contracts are underwritten by Redsands Insurance (Europe) Ltd., while life cover (corresponding to the loan advance) is underwritten by Sterling Insurance plc)

Source: MotoNovo Management

# Industry performance benchmarks

		12 Months ending December 2014			3 months to June 2015		
FLA Benchmarks		MotoNovo (Rank)	Independent Average	Captive Average	MotoNovo (Rank) <sup>1</sup>	Independent Average	Captive Average
Profitability Measures	Cost of money	2.20% (5/6)	1.61%	1.90%	2.36% (5/6)	1.52%	1.71%
	Interest Margin	4.55% (4/6)	4.74%	3.27%	4.29% (4/6)	4.35%	3.29%
	Credit & Risk Charge	0.89% (5/6)	0.74%	0.27%	1.42% (5/6)	0.86%	0.25%
	Gross Margin	3.67% (4/6)	4.00%	3.00%	2.87% (4/6)	3.49%	3.04%
	Other Income	2.63% (2/6)	0.75%	0.61%	2.79% (2/6)	0.74%	0.61%
	Contribution	6.30% (2/6)	4.75%	3.61%	5.66% (3/6)	4.23%	3.65%
	Operating Costs	2.31% (4/6)	1.91%	1.03%	1.96% (4/6)	1.60%	1.07%
	Notional Profit (before COF adj)	<b>3.99% (2/6)</b>	<b>2.84%</b>	<b>2.58%</b>	<b>3.71% (2/6)</b>	<b>2.64%</b>	<b>2.58%</b>
Key Performance Indicators	Growth in used car finance by value	74.2% (1/5)	45%	11%	22% (2/6)	14%	16%
	Growth in Retail Outstanding's	68% (1/5)	26%	10%	47% (1/5)	26%	17%
	New Business per head of staff	£3.744m (4/6)	£2.952m	£6.495m	£3.810m (4/6)	£3.245m	£6.589m
	Operating Costs per head of staff	£101k (5/6)	£88k	£131k	£88k (3/6)	£84k	£130k
	Contribution per head of staff	£275k (4/6)	£218k	£457k	£252k (4/6)	£211k	£459k

- The above benchmark summary confirms MotoNovo's continuing outperformance, improved position in New Business and Balance Sheet growth, and consolidation of the P3 position in the market place.

1. The six independents are: Black Horse, Santander, Close Motor Finance, Barclays, Northridge and MotoNovo Finance. Northridge was added to the Independents group for FLA stats in 2015.

Source: MotoNovo Management, Financing and Leasing Association (FLA)



# Key business developments in 2015/ 2016

- In February 2013, MotoNovo launched a motorcycle HP product, and by June 2015 had captured c.12% of the independent lenders available market. *These loans will however not form part of the Turbo 6 transaction*
- MotoClick, an integrated on-line, point of sale electronic signature process was successfully launched in March 2013; which has improved the speed and accuracy of customer identification and improved pay-out timescales. Penetration levels are running at around 34%
- In January 2014, a Business Assurance and Risk department was established to provide an independent view of the adequacy of the risk controls operating across the various departments
- In March 2014, MotoNovo introduced a wider product range, consisting of a Rate-4-Risk offering, Personal Contract Purchase Plan, HP+, VAT Assist and Accessories Personal Loans. *These loans will however not form part of the Turbo 6 transaction*
- In order to increase our market-share in the mid-size independent used car dealer sector we have moved from 8 to 10 regions from July 2014, and from 81 to 99 representatives in the sales team, covering the same geographical territory but with more concentrated coverage. We have introduced a divisional management structure, and have also commenced trading in Northern Ireland
- A Sales Expansion 3 programme is underway for rollout in Q1 2016 which will see us move to a 3<sup>rd</sup> field division and 13 regions in the UK and Northern Ireland
- In January 2015, MNF established a Business Change Department to programme manage projects across the company
- In March 2015 MNF became one of the first lenders to become fully authorised by the FCA, with a variation of permission to be able to establish a network of Introducer Appointed Representatives
- With strong growth and an increasing customer base, staff numbers have increased across all operational and support areas. MNF is currently in the process of selecting new premises which would enable us to continue to provide the same high levels of customer service we currently deliver

# Progress in 2015/16

- MotoNovo has continued to make good progress throughout 2015/2016
- The resurgence of the UK POS Motor Finance industry that began following the Banking Crisis in 2008 has shown no sign of tailing off with the sector continuing to perform well in comparison with other forms of credit across a variety of measures, including:
  - Growth in lending
  - Bad debt losses
  - Profitability
- MotoNovo's financial performance highlights for the financial year ended June 2015 include:
  - Total assets of £1,838m (inclusive of securitisation assets), total net income of £60m
  - 44% YOY growth in net assets on balance sheet
  - Bad debt losses of 1.00%
  - Cost to income ratio of 31%
  - 37% year-on-year increase in annual profit before tax to £52m
  - ROE of 35.4% and ROA of 3.4%
- These results have been achieved through a continued focus on our vision of becoming the leading independent motor finance company in the UK, where leading is defined as being represented by the best people in the industry, delivering the best products and services available in the market and achieving best in class results
- MotoNovo has maintained a very stable management team with a great deal of market experience
- In May 2014, MotoNovo won the "Credit Today – Car Finance Provider of the Year 2014" award, ahead of Blackhorse and Santander
- The 2016 Best Companies Results confirm that we have retained our 3 Star Status with an improved score. Our position will not be known until Feb 2016

Source: MotoNovo Management

# Financial performance

MotoNovo Finance (GBP'000)	FY 2014/2015		FY 2013/2014		FY 2012/2013		FY 2011/2012		FY 2010/2011	
Advances - Motor	1 543 155		1 037 412		806 980		652 612		486 038	
Advances - Business Finance	0		0		0		0		2 349	
<b>TOTAL AVERAGE ASSETS</b>	<b>1 543 155</b>		<b>1 037 412</b>		<b>806 980</b>		<b>648 649</b>		<b>488 387</b>	
Growth in Motor book	48.8%		28.6%		23.7%		34.3%		41.7%	
Interest income net of commission	93 668	6.07%	67 910	6.55%	57 798	7.16%	49 082	7.57%	44 984	9.21%
Interest expense	(33 946)	(2.20%)	(21 435)	(2.07%)	(18 643)	(2.31%)	(17 001)	(2.62%)	(20 148)	(4.13%)
<b>NET INTEREST INCOME</b>	<b>59 722</b>	<b>3.87%</b>	<b>46 475</b>	<b>4.48%</b>	<b>39 155</b>	<b>4.85%</b>	<b>32 081</b>	<b>4.95%</b>	<b>24 836</b>	<b>5.09%</b>
Bad debt provision - Motor	(15 423)	(1.00%)	(8 014)	(0.77%)	(6 992)	(0.87%)	(6 783)	(1.05%)	(4 588)	(0.94%)
Bad debt provision - Business Finance	0	0.00%	0	0.00%	0	0.00%	0	0.00%	(418)	(0.09%)
Fee income	29 365	1.90%	20 584	1.98%	16 200	2.01%	13 105	2.02%	9 933	2.03%
Insurance income	9 540	0.62%	4 455	0.43%	3 016	0.37%	4 013	0.62%	4 302	0.88%
Operating expenses	(31 193)	(2.02%)	(25 012)	(2.41%)	(19 272)	(2.39%)	(18 416)	(2.84%)	(14 078)	(2.88%)
<b>TRADING RESULT BEFORE TAX</b>	<b>52 011</b>	<b>3.37%</b>	<b>38 488</b>	<b>3.71%</b>	<b>32 107</b>	<b>3.98%</b>	<b>24 000</b>	<b>3.70%</b>	<b>19 987</b>	<b>4.09%</b>
Business Finance loss	0	0.00%	0	0.00%	0	0.00%	0	0.00%	(215)	(0.04%)
Intangible amortisation <sup>1</sup>	0	0.00%	0	0.00%	0	0.00%	(1 253)	(0.19%)	(625)	(0.13%)
Re-brand costs <sup>2</sup>	0	0.00%	0	0.00%	0	0.00%	(1 000)	(0.15%)	0	0.00%
Non-recurring items <sup>3</sup>	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
<b>UNDERLYING MOTOR RESULT</b>	<b>52 011</b>	<b>3.37%</b>	<b>38 488</b>	<b>3.71%</b>	<b>32 107</b>	<b>3.98%</b>	<b>26 253</b>	<b>4.05%</b>	<b>20 827</b>	<b>4.26%</b>
New Business volumes	<b>1 154 000</b>		<b>804 000</b>		<b>508 204</b>		<b>437 949</b>		<b>365 404</b>	
New Business growth vs. prior year	<b>43.5%</b>		<b>58.2%</b>		<b>16.0%</b>		<b>19.9%</b>		<b>35.1%</b>	
<b>Cost/income ratio</b>	<b>31%</b>		<b>35%</b>		<b>33%</b>		<b>37%</b>		<b>36%</b>	
<b>Notional Capital at 9.75%</b>	<b>150 458</b>		<b>101 148</b>		<b>78 681</b>		<b>63 243</b>		<b>47 618</b>	
<b>Return on Capital - Motor - post tax</b>	<b>26.7%</b>		<b>29.2%</b>		<b>40.8%</b>		<b>37.9%</b>		<b>42.0%</b>	

1. The above figures exclude the amortisation of intangible assets at £625k p.a., accelerated to £1,253k in 2011/12

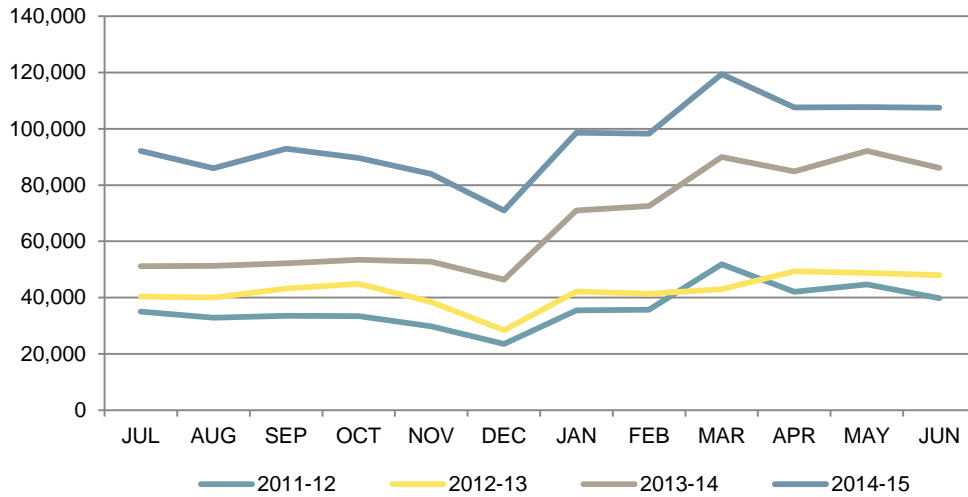
2. The re-brand costs are a one-off expenses in 2011/12, incurred on change of name of the business

3. Non-recurring items comprise redundancy, costs relating to transfer of ownership and software write-offs

Source: MotoNovo Finance Management Accounts

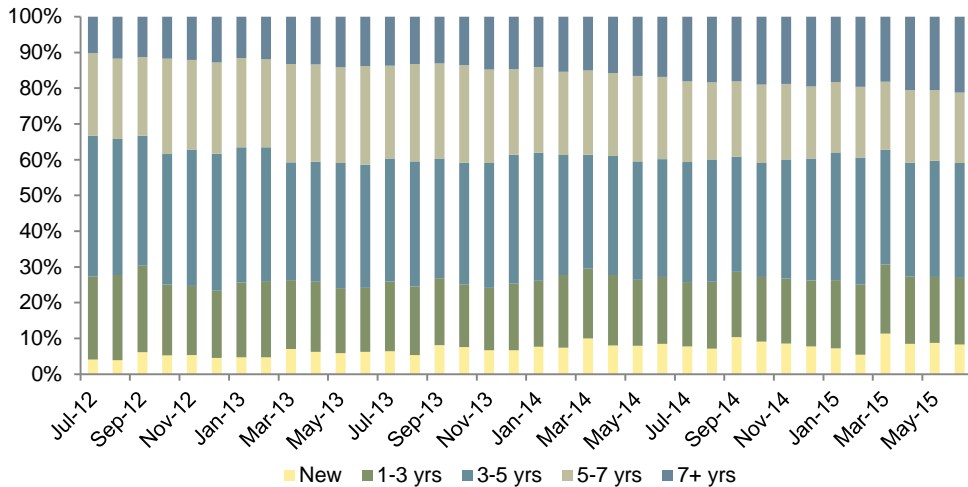
# Origination performance

**New Business Volumes (GBP'000)**



- 2014/15 saw a continued growth in new originations on previous years, with the largest increase taking place from December 2014

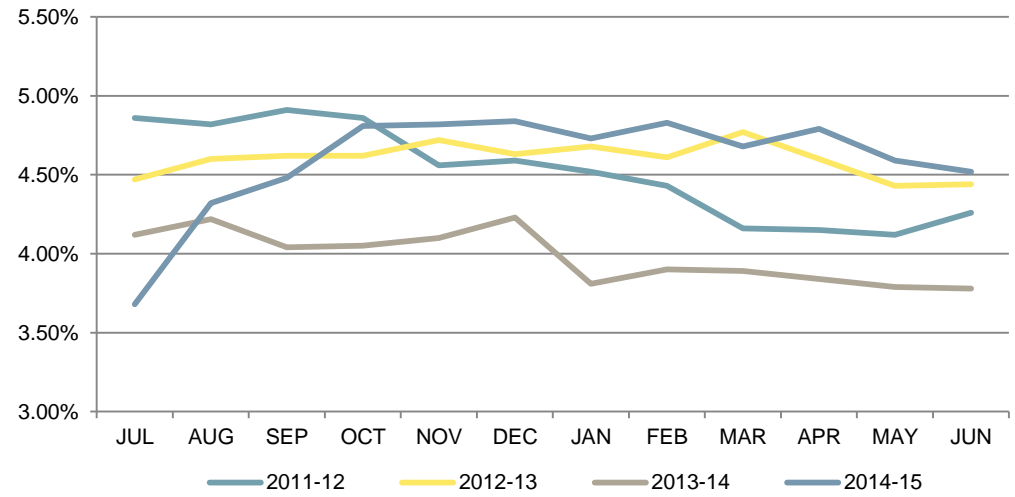
**Business mix by motor vehicle age (# of agreements)**



- Over the past two years, the business mix by vehicle age has remained relatively stable

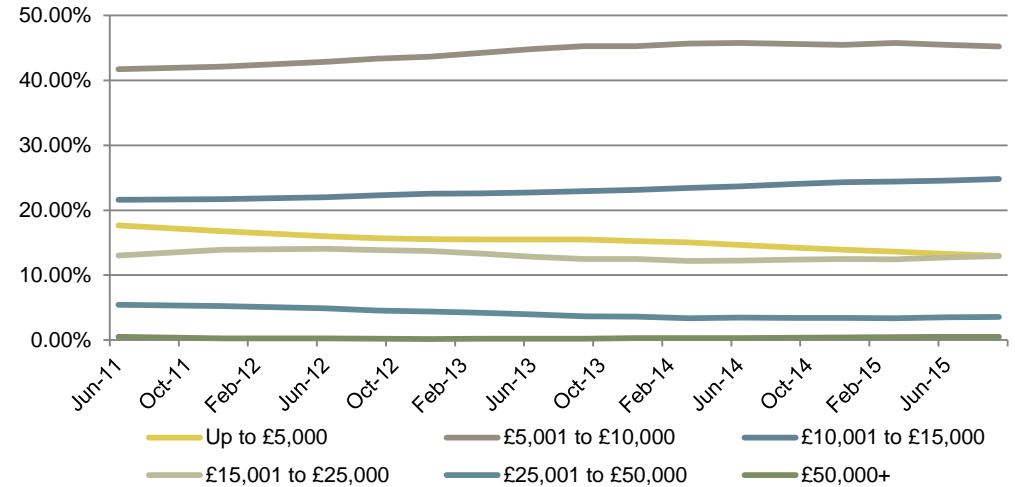
Source: MotoNovo Finance Management Accounts

**New Business Margin**



- In recent months, the margin has been impacted by rising interest rates and increasing competition

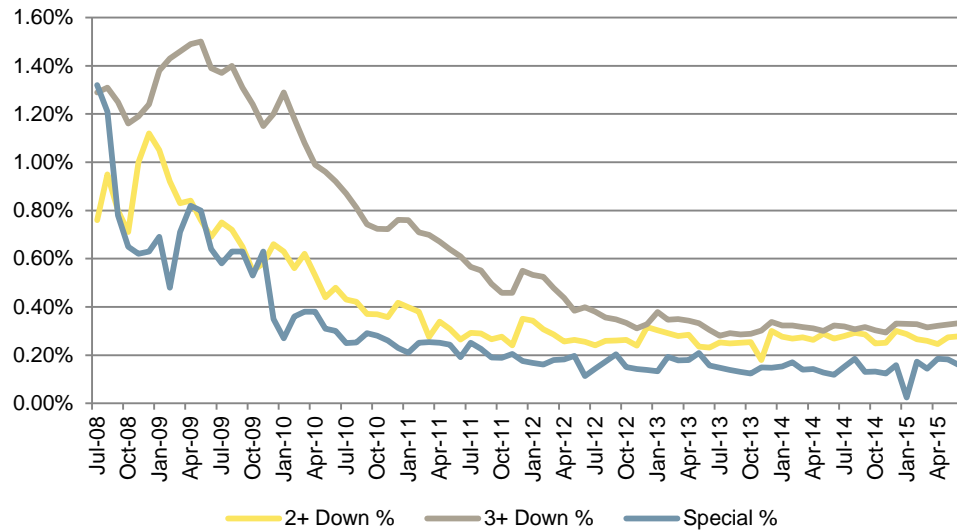
**Exposure by Advanced Amounts**



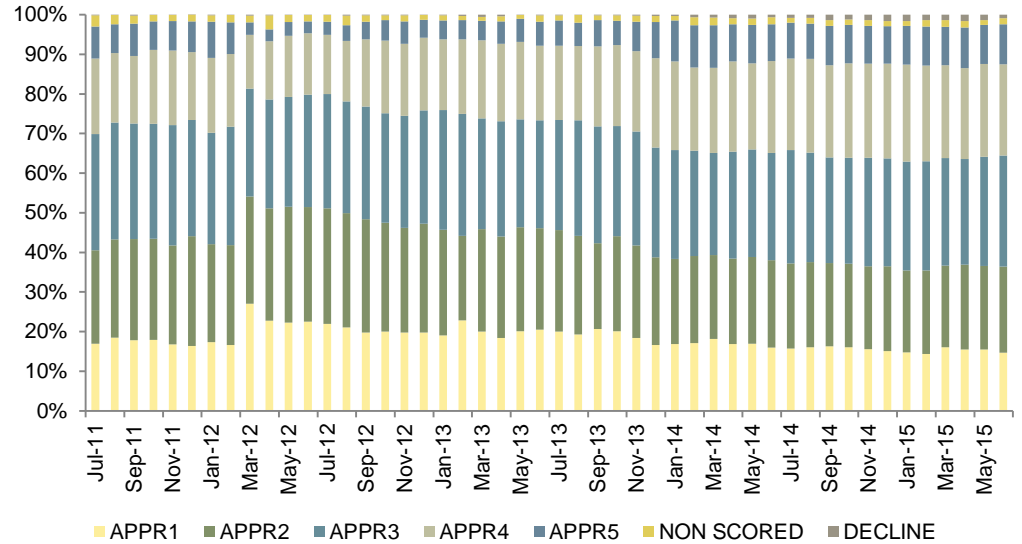
- The graph above demonstrates how the business has continued to successfully reduce exposure to high value assets (£50,000+) and to focus on mid-range assets. Note: data is updated quarterly.

# Asset book performance trends

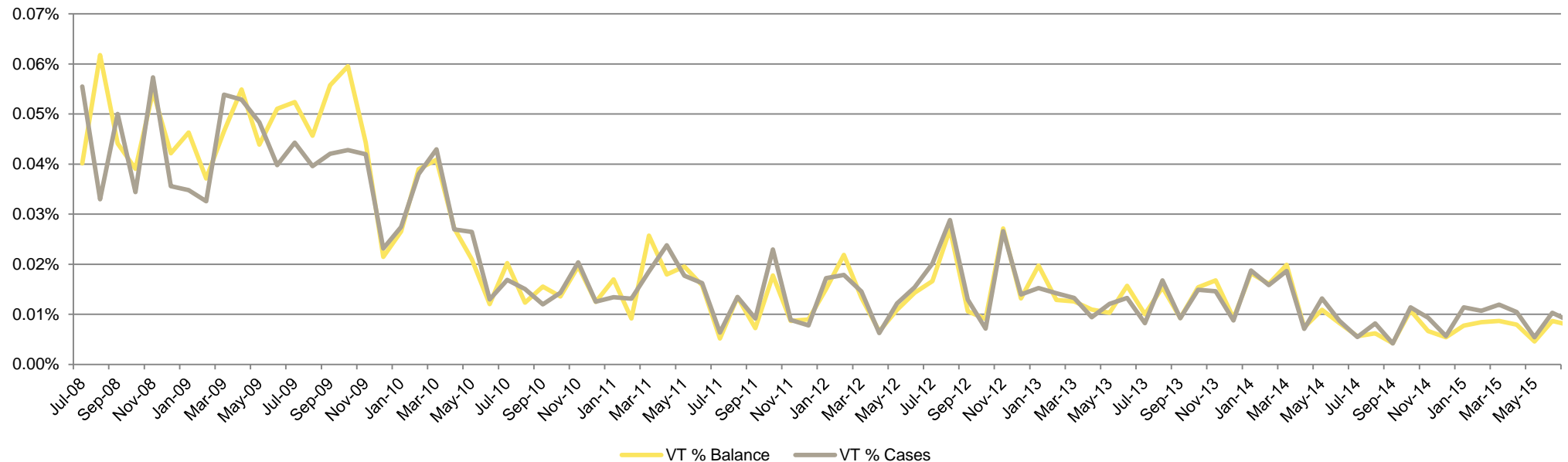
**Arrears Snapshot (% of total agreements)**



**Written Agreements by Risk Classification**



**Voluntary Terminations as a percentage of total book**



Source: MotoNovo Finance Management Accounts

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# Origination, underwriting, servicing and collections

Origination	<ul style="list-style-type: none"> <li>All loans are originated through some 1,800 dealers (86% of volume) and 20 brokers (14% of volume) across the UK</li> <li>An updated credit scorecard was successfully introduced in March 2012</li> <li>Additional fraud prevention systems through CallCredit</li> <li>Increased automation and optimised processes:             <ul style="list-style-type: none"> <li>“MotoClick” has been implemented with paper free signatures, improved security measures and automated pay-out. Penetration levels are running at around 34%</li> <li>“Faster Payments” method introduced to dealers served to enhance our service standards by allowing the same day advance of funds</li> </ul> </li> </ul>
Underwriting	<ul style="list-style-type: none"> <li>The centralised underwriting team has varying mandate levels depending on seniority</li> <li>55% of proposals are typically accepted, 67% of which are taken up</li> <li>Typically 68% of business is underwritten by the electronic scorecard</li> <li>Underwriters consider the 32% of proposals referred by the scorecard with associated reasons</li> <li>The score card is controlled and monitored by WesBank</li> </ul>
Asset valuation	<ul style="list-style-type: none"> <li>Asset values are checked electronically against Glass’s guide, a provider of new and used car valuations in the UK</li> </ul>
Insurance	<ul style="list-style-type: none"> <li>Comprehensive vehicle insurance is a condition of the agreement</li> </ul>
Servicing	<ul style="list-style-type: none"> <li>All borrowers pay on a monthly basis, with direct debit as the primary payment method</li> <li>MotoNovo performs all of its own servicing</li> <li>Late stage collections are outsourced to Bluestone Credit Management, Credit Style and DWF Solicitors</li> <li>Automation and enhanced customer service:             <ul style="list-style-type: none"> <li>Self-service area of our website is under on-going expansion</li> <li>Introduced card payments and automated settlement quote option via an automated telephone facility</li> </ul> </li> </ul>
Platform	<ul style="list-style-type: none"> <li>Point of sale technology and integration with major dealers’ own IT platforms results in typically 95% of all new business proposals being submitted electronically. Our ability to integrate with major dealers has enhanced our offering and helped drive efficiency improvements</li> <li>Where business is not submitted via a point of sale application it is faxed to our centrally located acquisitions team for manual input</li> </ul>
Target Customers	<ul style="list-style-type: none"> <li>The target customers represent the demographic of the customers who purchase vehicles through the dealer network</li> <li>In terms of MotoNovo target customers, we seek to identify prime customers through the credit scoring that we apply once a proposal has been submitted.</li> </ul>

Source: MotoNovo Management

# Dealer & Broker Selection

- Setup
  - Regional management approval for the application
  - Detailed financial review including searches of companies and directors
  - 10 point evaluation of dealer quality
  
- Remuneration
  - Principles follow industry standards with commission and volume bonus structures
  - Pricing is evaluated using a sophisticated profitability model
  - Commission structure is based on a price/volume matrix
  - Typically commission is debited back in the event of default or early termination
  
- Monitoring
  - Management information at dealer level is available daily on the Dashboard
  - Monthly profitability reporting reviewed in Pricing Committee
  - Monthly dealer grading reports are produced
  - Monthly account manager review with their dealers
  
- Dealers (c. 86%)
  - New business is acquired principally through field account managers developing relationships with motor dealers within a defined territory
  - In 2013, we established a “dealer direct” team at head office to target dealers who don’t currently support us with a view to converting them into fully supporting dealers and transferring the relationship to the Account Manager to develop
  - All target dealers are agreed by regional management and are subject to a stringent vetting procedure before any business is transacted
  - Dealer performance is carefully monitored and managed to ensure all relationships operate within tolerance in the areas of quality, returns and efficiency. A comprehensive procedure has been established, supported by exception reporting, to ensure effective management of this critical area
  - All dealer relationships are subject to documented rates and terms ensuring that MotoNovo have the necessary legal redress where required
  
- Brokers (c. 14%)
  - In addition to the “traditional” MotoNovo field force, a telephone based central channel has been created to handle all broker relationships where traditional field support is not required. Set up six years ago this channel has proven to be successful in retaining existing relationships
  - All broker relationships are subjected to similarly stringent vetting procedures prior to appointment and all underlying dealers introduced by the broker must be approved by MotoNovo prior to business being transacted

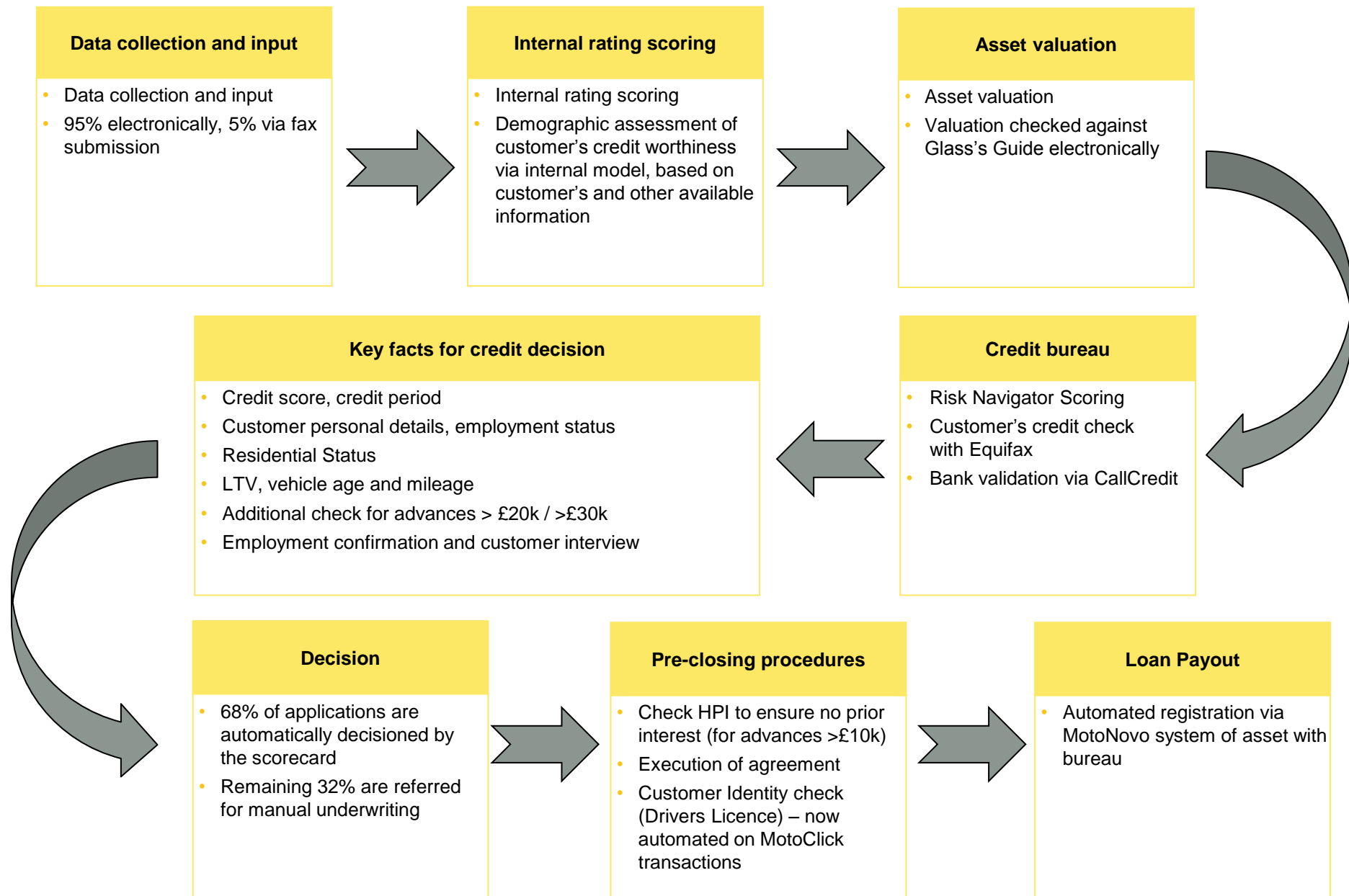
Source: MotoNovo Management



# Loan documentation

- Components of loan application package:
  - The POS and integration with dealers' own systems allows the electronic submission of data
  - Dealers submit 95% of proposals electronically compared to 5% via fax
  - Details provided electronically such as the post code and vehicle information are verified against Equifax, CarWeb and Glass Guide respectively
  - Completed applications include *inter alia*:
    - Personal data of the interested persons: name, profession, marital status and capital to be advanced
    - Description of the asset under loan including mileage, registration number, make and type of vehicle
  - Upon acceptance of the proposal the client will be provided with a copy of the contract which will be signed at point of sale (or by MotoClick) and returned to MotoNovo in electronic format or faxed
  - Faxed proposals are scanned to PDF and stored electronically
  - During the term of the hire purchase agreement the car is the legal property of the lender. Ownership is transferred to the borrower at the maturity of the loan in return for a nominal Option to Purchase Fee (c. £10)
  - Legally enforceable contracts reviewed by DWF solicitors

# The underwriting process



Source: MotoNovo Management

# The underwriting process (cont.)

- Timescales in minutes (average over the three months from June to August 2015)
  - Time to load and underwrite faxed proposal: approx. 25 minutes
  - Time to underwrite referred electronic proposal: approx. 11 minutes (zero load time)
  - When an agreement is confirmed it then takes approx. 18 minutes to pay out to the BACS or Faster Payments system (which is processed through the banking system twice a day). This is almost instantaneous if MotoClick is used.
- Vehicle age and mileage limits
  - MotoNovo will fund UK specification right-hand drive cars, LCVs and motorcycles as listed in Glass's Guide or CAP with mileages not exceeding 130,000 miles (cars) and 150,000 miles (LCVs) at inception and the age plus the repayment period not exceeding 15 years at the end of the agreement
  - The maximum repayment term for LCVs is as follows:
    - New & up to 6 years old 60 months
    - 6 to 8 years old 48 months
    - 8 to 10 years old 36 months
- There are slightly different maximum terms for motorbikes based on engine size and age
- The following underwriting limits are approved for different mandate levels:

Mandate Level	Title	Single Transaction Limit (£)
3	Underwriter	30,000
4	Underwriter	75,000
5	Input / Pay-out Manager	75,000
6	Underwriting Manager	100,000
6	Risk & Technical Support Manager	100,000
6	Head of Operations	100,000
6	CFO	100,000
Credit Committee 1	Any 2 Mandate Level 6	250,000
Credit Committee 2	As Credit Committee 1 & CEO/CFO	350,000

Source: MotoNovo Management

# Overview of the scoring system

- Each borrower is separately credit-scored
- An automated “good bad” ranking credit scorecard has been developed in conjunction with 20:20 Jaywing and is used to assess all consumer business. Feeding into the card is all application data plus credit bureau search results and bureau applicant scores. The automated process also includes a policy rule check and the introducing dealer relationship is also scored, based on historic experience
- Currently approximately 68% of all credit decisions are automated, i.e. the scorecard makes the decision. The remaining 32% are subject to manual underwriting by a team of dedicated underwriters. The underwriters are advised of the reason for referral by the scorecard, typically where one or more non-fatal policy rules have been failed, or the applicant type is unable to be scored, e.g. a limited company
- Decisions are communicated to the dealer either via our point of sale system or by e-mail and phone
- Automated decisions are typically relayed to the dealer within 2 minutes with electronically submitted referred proposals turned around in 11 minutes and faxed proposals in 25 minutes
- Proposals for advances in excess of £20,000, increasing to £30,000 for lower risk customers, which pass the scorecard and policy rules are referred for manual underwriting

# The Credit Scorecard

## Scorecard Development Process

<b>Phase 1</b> <i>Data Extract</i>	<b>Step 1:</b> Extract application data
	<b>Step 2:</b> Extract performance data
	<b>Step 3:</b> Obtain retrospective bureau data
<b>Phase 2</b> <i>Data Analysis</i>	<b>Step 1:</b> Data validity checks
	<b>Step 2:</b> Performance analysis <i>a. Roll rate analysis</i> <i>b. Develop Good/Bad definition</i>
	<b>Step 3:</b> Master file analysis <i>a. Determine Sample Window</i> <i>b. Determine Outcome period</i>
	<b>Step 4:</b> Characteristic stability analysis
<b>Phase 3</b> <i>Modelling</i>	<b>Step 1:</b> Scorecard development <i>a. Develop Known Good/Bad model</i> <i>b. Develop Accept/Reject model</i> <i>c. Reject inference</i> <i>d. Develop test card to check reject inference</i> <i>e. Develop All Good/Bad model</i>
<b>Phase 4</b> <i>Dual Matrix Development</i>	<b>Step 1:</b> Check the Gini coefficient
	<b>Step 2:</b> Calculate bad rate by score band
<b>Phase 5</b> <i>Out of sample validation</i>	<b>Step 1:</b> Stability tests
	<b>Step 2:</b> Simulation of acceptance rates after policy rules
<b>Phase 6</b> <i>Recent sample validation</i>	
<b>Phase 7</b> <i>Setup monitoring process</i>	

Source: WesBank, MotoNovo Management

## The Scoring Process

Step 1: Application scorecard

Example of variables analysed:

- Customer demographic information e.g. Marital status, Residential status, Age
- Asset information e.g. Car age, Vehicle Value (retail value)
- Financial information e.g. Deposit %, LTV %
- Result: Application score

Step 2: Customer Bureau information

- Total bureau profile taken into account
- Result: Bureau score

Step 3: Dual matrix

- Linearly combine the demographic and Risk Navigator scores to create the Risk Decision
- Result: Risk Decision

A1	Scorecard Approved - Very Low Risk deal
A2	Scorecard Approved - Low Risk deal
A3	Scorecard Approved - Average Risk deal
A4	Scorecard Approved - Above Average Risk deal
A5	Scorecard Approved - High Risk deal
D1	Scorecard Declined - Very High Risk deal
D2	Scorecard Declined - Severe Risk deal

Step 4: Business rules

- Policy rules determined by business.
- Includes exception rule set
- Result: Status
  - **Accept:** Automatic system accept
  - **Refer:** System Accept - Underwriter to review
  - **Reject:** Automatic system reject

# Fraud Prevention

- MotoNovo is a member of the Credit Industry Fraud Avoidance Scheme (CIFAS). We report all attempted frauds to add to the database and are allowed access to this database which also forms a standard part of our Equifax search
- CallValidate and CallCredit Ownership Fraud alerts are now integrated into our systems and we run automated anti-fraud checks on all new business proposals which is an enhancement on our previous process
- Manual underwriting checks for all advances >£20k, or £30k for lower risk customers, include direct customer contact and identification validation using CallValidate 3D
- Experian CarDataChecks are undertaken on all advances >£20k
- Welcome pack letter and welcome call by Customer Service Centre help identify impersonation fraud
- Membership of AVCIS, the police Vehicle Crime Investigation Service. If we can prove that an existing agreement is fraudulent, the police will recover the vehicle using the Automatic Number Plate Recognition camera system installed on the road network and in police vehicles
- A project is underway to introduce SIRA, an enhanced fraud analysis tool, to improve our capability in this area.

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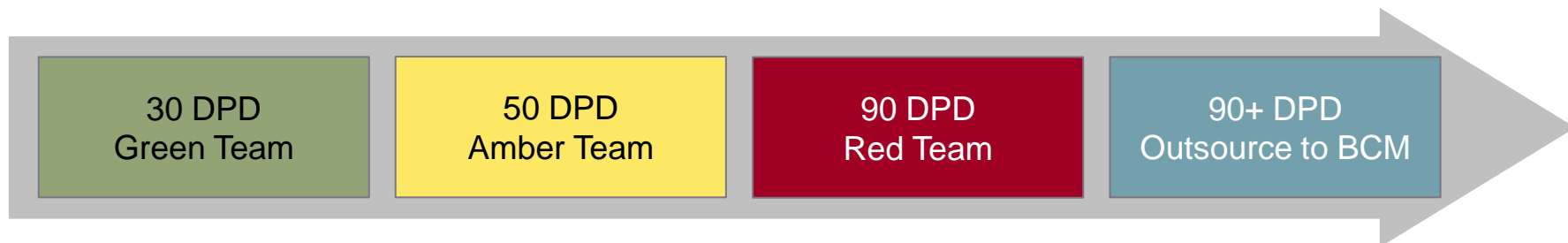
# Servicing overview

- Customers receive a welcome call which allows validation of client information (contact information, payment data, etc.) and the opportunity to sell ancillary insurance products and promote ancillary services such as self-service and discount shopping
- While a loan is performing there is minimal customer interaction (for example change of address, banking details, contact details)
- The standard payment method is direct debit with the customer choice of debit date within a set tolerance of the agreement live date. Customers may switch to other forms of payments such as cheque, debit card, internet transfer etc. however such facilities are not promoted to the performing customer base
- Annual automated statements are provided to clients as required by the Consumer Credit Act
- A dedicated Customer Service Team was formed in May 2011 to support our Customer Relationship Management programme
- A self-service portal on our website enables customers to update personal details, obtain settlement figures and view payment dates. Ongoing development of this portal is planned to further enhance our offering and improve efficiencies



# Arrears management

- Collections activities are handled by a dedicated collections team based in Cardiff supported by outsourced arrangements with Bluestone Credit Management (“**BCM**”), Credit Style (“**CS**”) and DWF Solicitors (“**DWF**”)
- At a high level the MotoNovo team focus on those accounts 1 to 4 payments in arrears with the later stages of delinquency handled by BCM and CS
- Following a major overhaul of the entire collections process in 2008 to ensure that all cases are handled in the most efficient and effective manner, we have continued to introduce new technology such as a payment website and an automated telephone payment system and continued to embrace newer technology such as SMS and preview dialling to maximise efficiencies and improve collections
- The improvement in collection processes combined with a more conservative risk appetite on new lending resulted in an improved default performance. A controlled relaxation of our credit risk appetite over the last 18-24 months has resulted in our actual bad debt performance being more closely aligned but still well within our long term projections.
- During the last financial year, the number of live agreements increased by 34% and the absolute level of arrears cases increased by 37%.
- We have maintained our ‘first loss, least loss’ approach throughout difficult economic conditions and whilst this hurt us in the early stages of the recession our stance served us well as we emerged stronger and more quickly than many of our competitors. The results of this approach are clearly demonstrated in the improved shape of our book
- MotoNovo utilise a traffic light system to highlight and manage the arrears process efficiently
- MotoNovo operates a £70 minimum arrears amount before referring an agreement to the Green team



Source: MotoNovo Management

# Arrears management process

Day 0	<ul style="list-style-type: none"> <li>• Payment Missed / Direct Debit bounces</li> <li>• Text message sent automatically to the borrower from returned Direct Debit file</li> </ul>
Day 1	<ul style="list-style-type: none"> <li>• Payment overdue</li> </ul>
Day 3	<ul style="list-style-type: none"> <li>• First reminder letter is sent</li> </ul>
Day 2 - 7	<ul style="list-style-type: none"> <li>• Placed through externally outsourced supplier for telephone dialler campaign (Arvato<sup>1</sup>)</li> </ul>
Day 8	<ul style="list-style-type: none"> <li>• Agreement falls into Collections Green Team queues for manual dialling</li> </ul>
Day 9 - 24	<ul style="list-style-type: none"> <li>• Manual calling (minimum weekly, maximum daily)</li> </ul>
Day 24	<ul style="list-style-type: none"> <li>• Escalation letter sent</li> </ul>
Day 31	<ul style="list-style-type: none"> <li>• Second payment due</li> </ul>
Day 32	<ul style="list-style-type: none"> <li>• Second payment potentially missed</li> </ul>
Day 32 - 50	<ul style="list-style-type: none"> <li>• Intensive calling and final letter sent including notice of default</li> </ul>
Day 50	<ul style="list-style-type: none"> <li>• Automatic termination</li> <li>• If the matter remains unresolved then a decision is made on how the case should be progressed: <ul style="list-style-type: none"> <li>• If under a third of the amount is paid, the case is passed to field agents to collect arrears or recover the vehicle</li> <li>• If over a third of the amount is paid, then the case is passed on to BCM or CS for activity specified below</li> </ul> </li> </ul>
Day 50+	<ul style="list-style-type: none"> <li>• The Red Team are responsible for cases which have been passed to third parties</li> <li>• They are responsible for managing those relationships and ensuring that MotoNovo are updated on each case regularly</li> <li>• If an agent returns a case as negative, or if we deem their response is not within acceptable servicing standards, then they will cancel the first agent and instruct a second phase agent</li> <li>• They will also contact by telephone and letter on those cases which are 60/90/120 days past due and the balances are too small to consider field or legal action, are responsible for insurance claims (motor insurance, payment protection and GAP claims), and for managing the collection and sale of our repossessions and the voluntary terminations process</li> </ul>

1. Arvato is a substantial supplier of outsourcing services employed by many of the world's most respected companies and public sector organisations. They have more than 50 years experience within the field of financial services and employs over 70,000 staff across almost 40 countries worldwide. (Source: [www.arvato.co.uk](http://www.arvato.co.uk)). Arvato has recently acquired Gothia and BCW group.

# Collections Process

- We utilise a combination of recovery agents to ensure that geographically we have national coverage throughout the UK mainland
- Agents go through a rigorous selection process in terms of compliance and commerciality
- Through strict Service Level Agreements we ensure that agents are incentivised to recover vehicles for us in a timely manner, whereby we pay a sliding pay scale for vehicles to be recovered in 7, 14 or 21 days
- In terms of vehicle disposals, we sell the majority of our cars and LCV's through Manheim auctions and continue to explore the viability of alternative arrangements to maximise our returns on the disposal of our vehicles.
- Motorbikes are generally sold through British Car Auctions.

# Late Stage Delinquencies: Outsourced Arrangements

- Bluestone Credit Management is the market leader in auto loan collections and is utilised by competitors such as Santander and Blackhorse
- BCM undertake intensive telephone activity (maximum 7 days)
- If contact is made, a scheduled appointment is booked (average turnaround for completed visit < 28 days from date of instruction)
- If no contact is made, an unscheduled visit is initiated (minimum 3 visits, average turnaround for completed visits < 28 days from date of instruction)
- If resolved in field, positive outcomes are either
  - full settlement
  - full arrears
  - voluntary surrender negotiated
  - payment arrangement negotiated
- If no successful resolution, the next stage is either
  - progressed for legal action to recover our vehicle (it usually takes c. 90 days to obtain a court order)
  - case deemed as uneconomical to pursue for legal action where CAP Average < £1000
- Fees are designed to motivate positive results and fast turnarounds and are thus dependant on the success rate and time taken to recovery
- On average BCM receives a flat fee of £175 per deal (recovered from the client where possible)
- In July 2012 we introduced Credit Style Ltd and DWF Solicitors on a champion challenge basis. Both are market leaders in their chosen field and the process set out for Bluestone has been replicated with the new arrangement, the only difference being that the legal action is undertaken separate to the collections process by specialist solicitors. We intend to continue this challenge for the foreseeable future

Source: MotoNovo Management

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# Transaction Timeline & Reporting

## Transaction Reporting and Monitoring

- Investor Data Pack
  - Stratification tables and portfolio amortisation profile
  - Historical performance data
  - Notes amortisation and WAL table
- Cash flow modelling
  - Bloomberg Ticker <TURBF 6 Mtge>
  - Intex: [www.intex.com](http://www.intex.com) (Deal code: TURBF6)
  - ABSNet: [www.absnet.net](http://www.absnet.net) (Deal code: Turbo\_6)
  - Moody's Analytics: [www.moodysanalytics.com](http://www.moodysanalytics.com) (Deal code: Turbo\_6)
- Monthly Investor Reports
  - Available on Bloomberg and the following website: <https://gctabsreporting.bnpparibas.com/index.jsp>

## Rating Agency Performance Reports

- S&P: [www.standardandpoors.com](http://www.standardandpoors.com)
- Moody's: [www.moodys.com](http://www.moodys.com)

## Key Dates

- Pricing Date [Feb-16]
- Closing Date [Feb-16]

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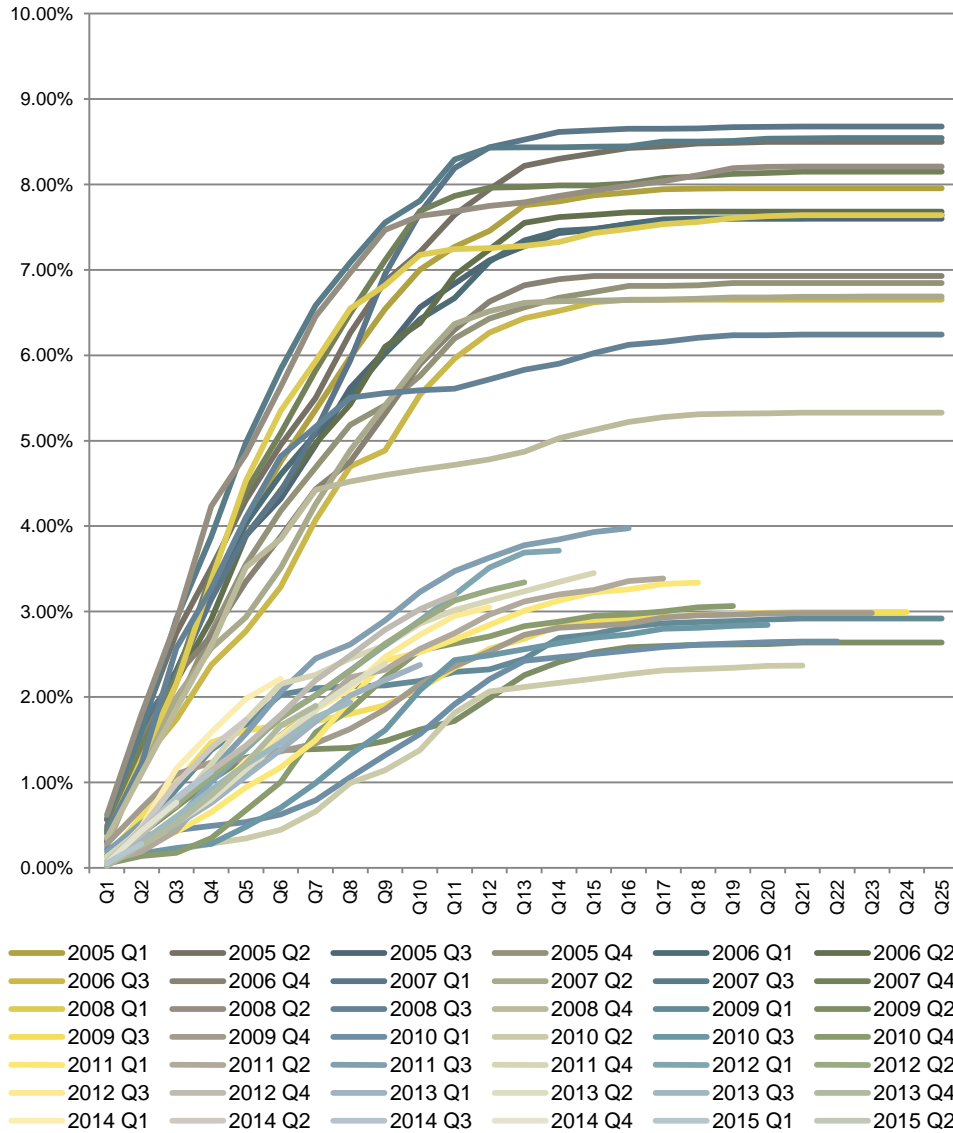
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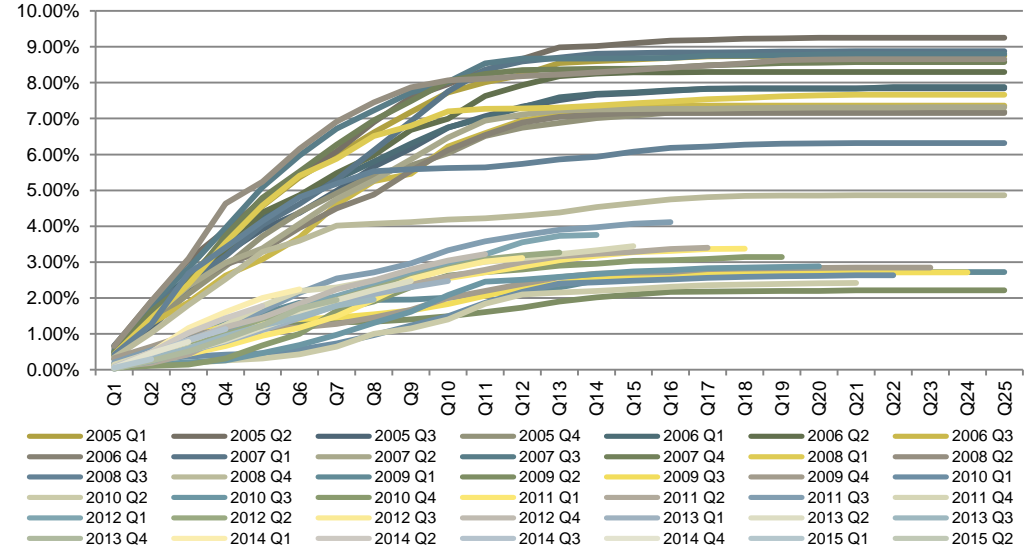


# Summary of key historical performance

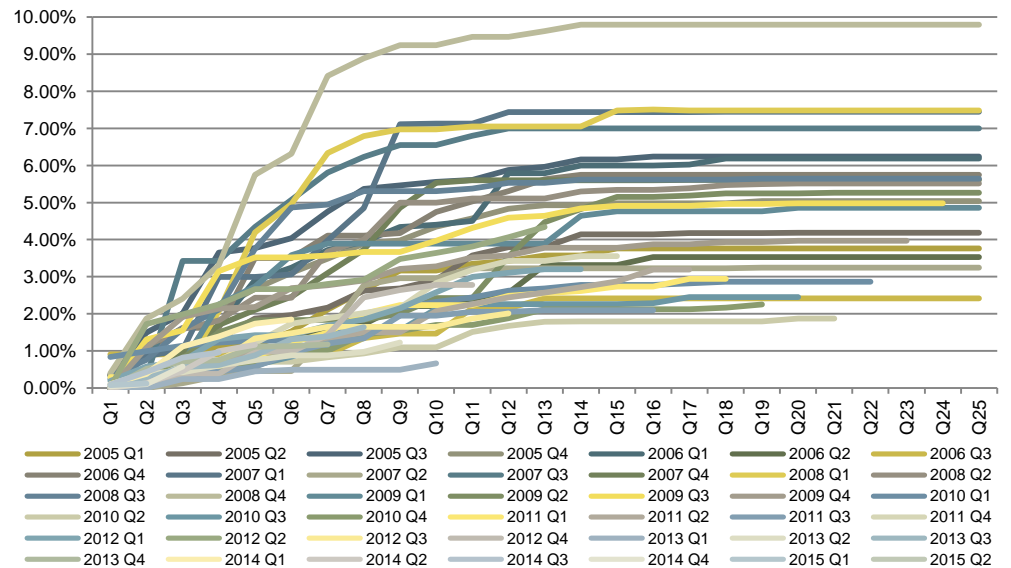
**Static Cumulative Default Rates (all vehicles)**



**Static Cumulative Default Rates (used cars)**



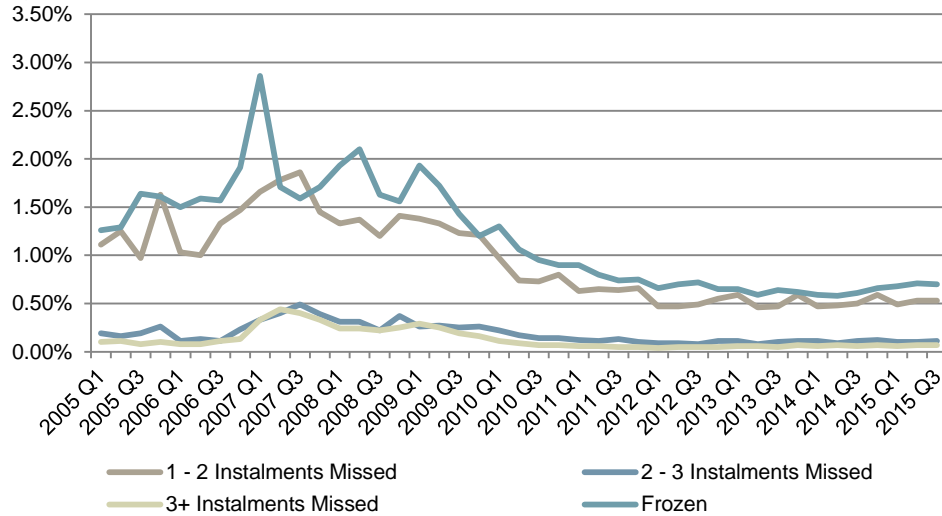
**Static Cumulative Default Rates (new cars)**



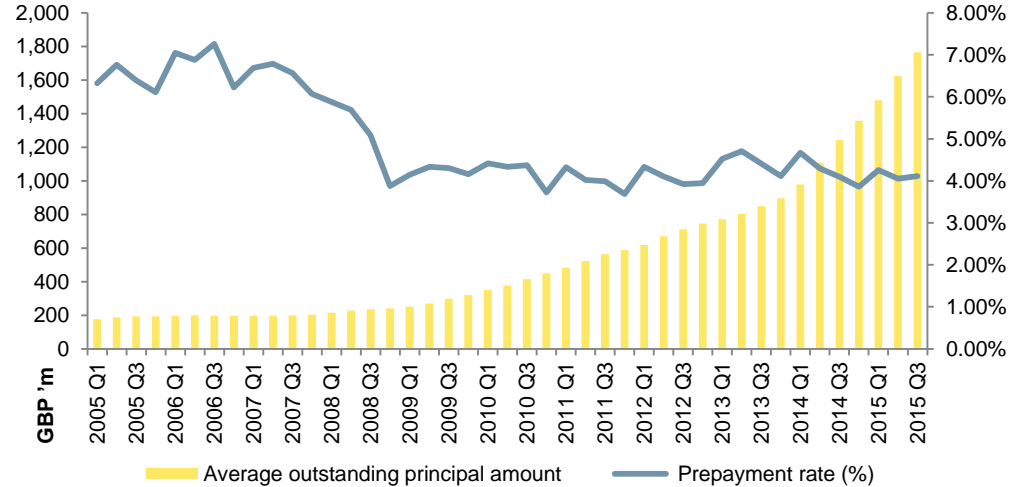
Source: MotoNovo Management. "Defaulted Receivable" means any Purchased Receivable in respect of which (a) recovery proceedings have been commenced by the Servicer and/or (b) the relevant Obligor has missed more than three consecutive scheduled monthly payments

# Summary of key historical performance

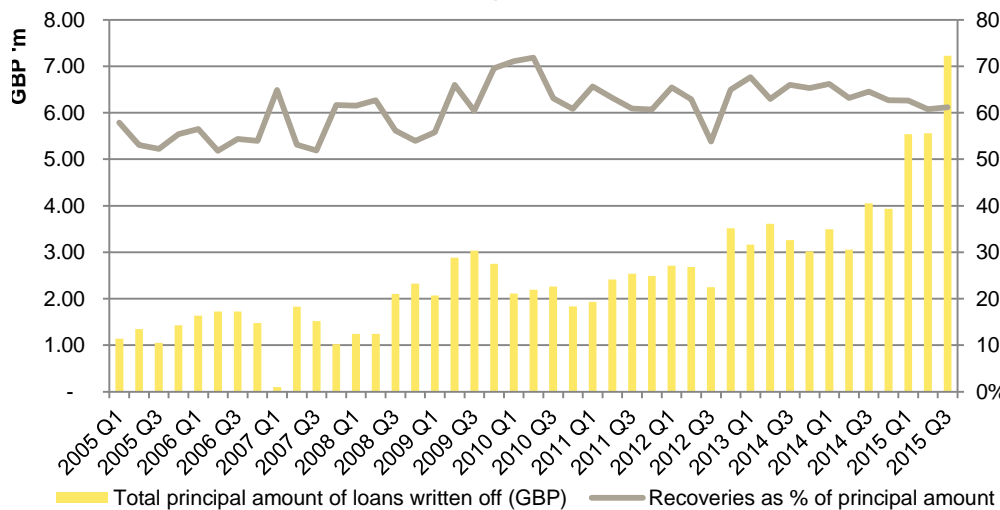
**Dynamic Delinquencies<sup>1</sup>**



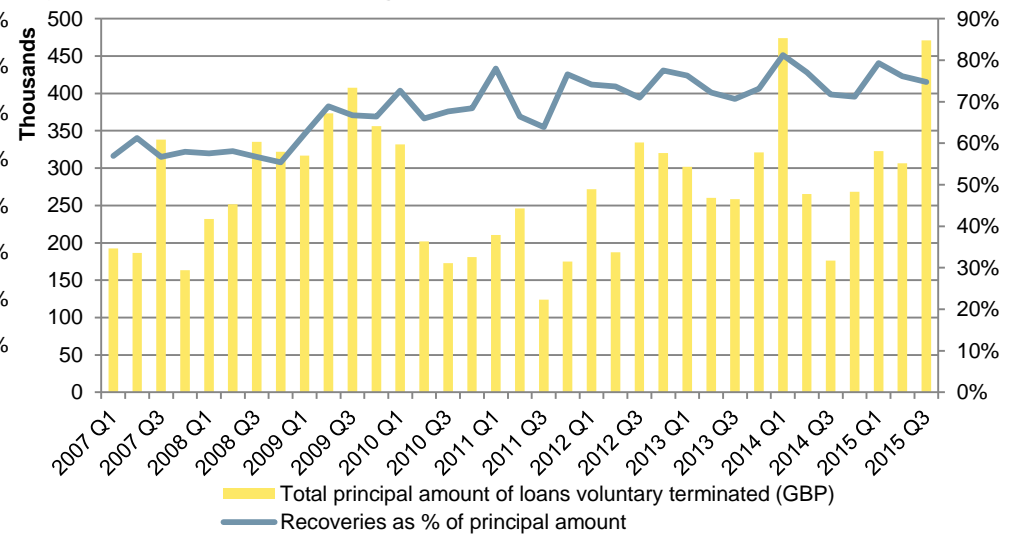
**Dynamic Prepayments<sup>2</sup>**



**Dynamic Recoveries (Written-Off Agreements)**



**Dynamic Recoveries (VT Agreements)**

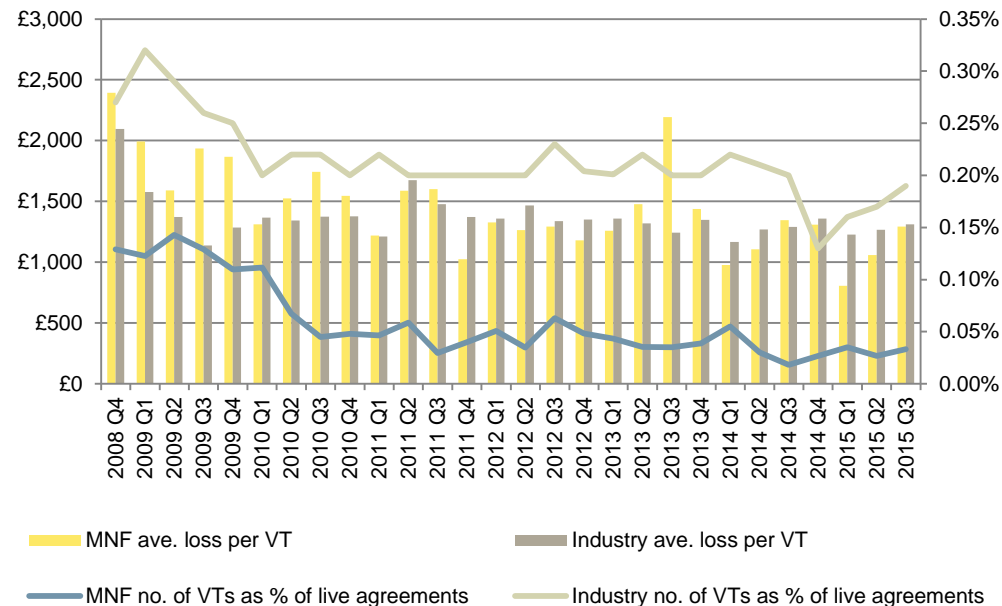


Source: MotoNovo Management

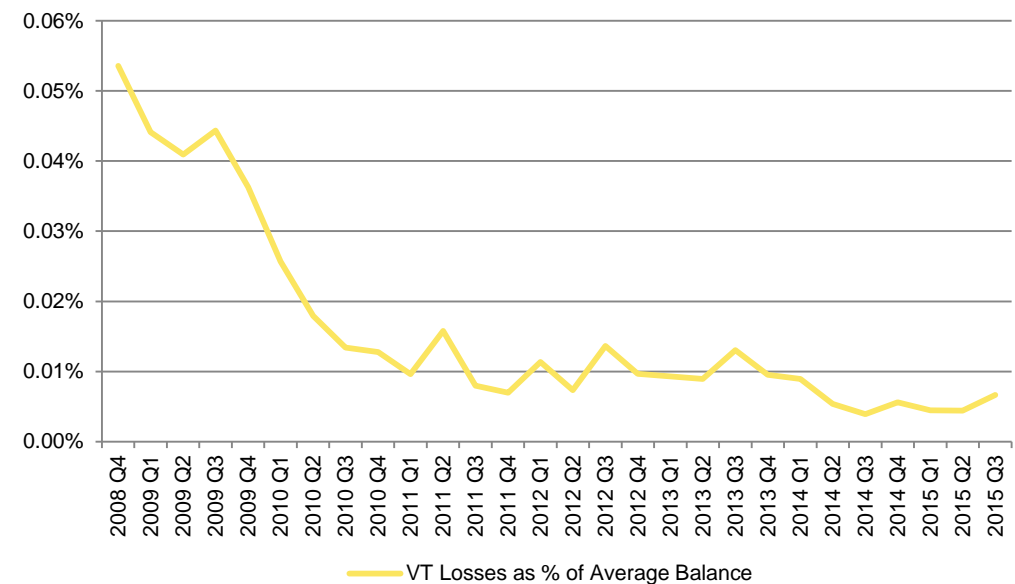
1. "Delinquent Receivable" or Delinquencies means any Purchased Receivable which (a) is more than 30 days overdue for an amount greater than £70.00 and (b) is not a Defaulted Receivable. £20+ - 1.00 Instalments delinquencies includes technical arrears. "Frozen" receivables represent accounts for which no further penalty interest accrues these can apply to both defaulted accounts and non-default related issues such as voluntary termination
2. Prepayment shown as a percentage of balance of contracts for each vintage Past performance is not a reliable indicator of future results

# Voluntary terminations

## MotoNovo VT experience v Industry



## MotoNovo VT Losses as % of Average Balances



- In line with industry experience the average loss per Voluntary Termination (“VT”) has reduced from a high of £2,393 in 2008 to £1,868 in 2009, £1,545 in 2010, £1,024 in 2011, £1,108 in 2012, £1,438 in 2013 and £1,184 in 2014 . The average loss per VT for the 1st two quarters of 2015 was £932.
- Expressed as a percentage of Average Balances<sup>1</sup>, losses have reduced from 0.054% at the end of 2008 to 0.005% in 2015 Q2.
- Our internal process for handling returned vehicles is rigorous. On receipt of written VT requests we utilise Manheim Inspection Services to assess the condition of the vehicle and, where suitable, apply charges for damage prior to collecting and disposing of the vehicle
- In the Finance & Leasing Association (“FLA”) benchmarking process, MotoNovo has recorded the second lowest VT incidence in the industry in 2015 Q3

Source: MotoNovo Management, FLA Early Settlement, VT and right of withdrawal reports

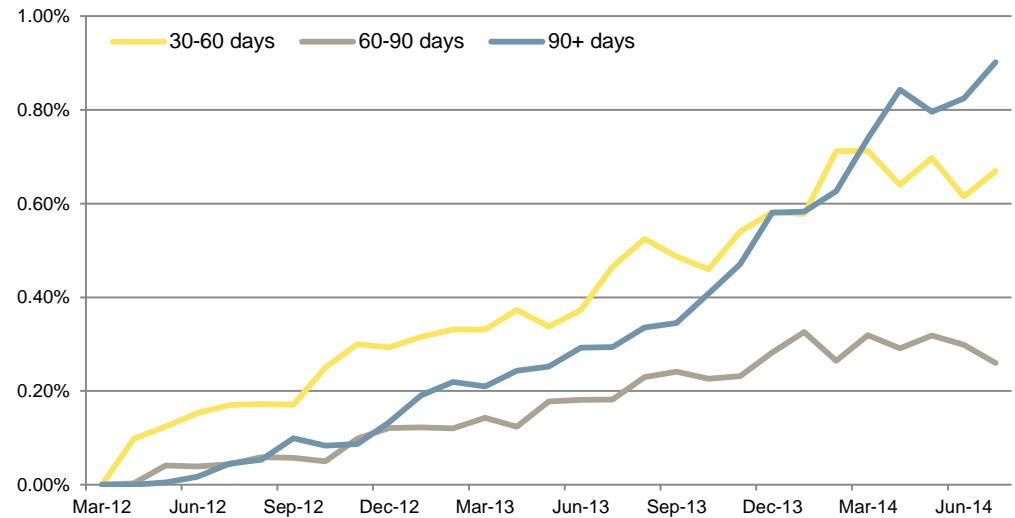
1. For the purpose of this slide, “Average Balance” means, with respect to a loan, the net principal balance of such loan at the time of the Voluntary Termination (as consistent with the benchmarking process used by the FLA)
2. Industry data not available for 2015

Past performance is not a reliable indicator of future results

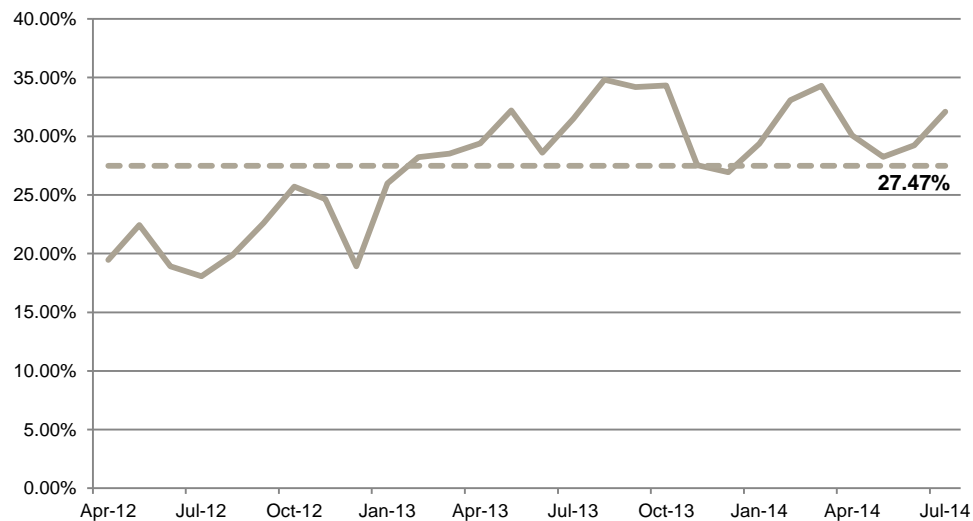
# Turbo Finance 2 plc: Early Redeemed

- Turbo Finance 2 was early redeemed on 22<sup>nd</sup> August 2014 following the redemption of the Class A tranche in July 2014
- CPR at maturity was 32.08%, averaging 27.47% over the duration of the transaction
- Turbo 2 outperformed Turbo 1 marginally, recording Cumulative Net Losses of 0.92%, which was covered by excess spread
- Voluntary terminations remained low with 0.86% of the original portfolio having exercised this right. The cumulative net loss attributable to VT was 0.21%
- On 17<sup>th</sup> December 2013, Fitch upgraded the Class B notes of Turbo 2 to AAAsf and on 19<sup>th</sup> May 2014 Moody's upgraded the Class B notes to Aa1(sf)

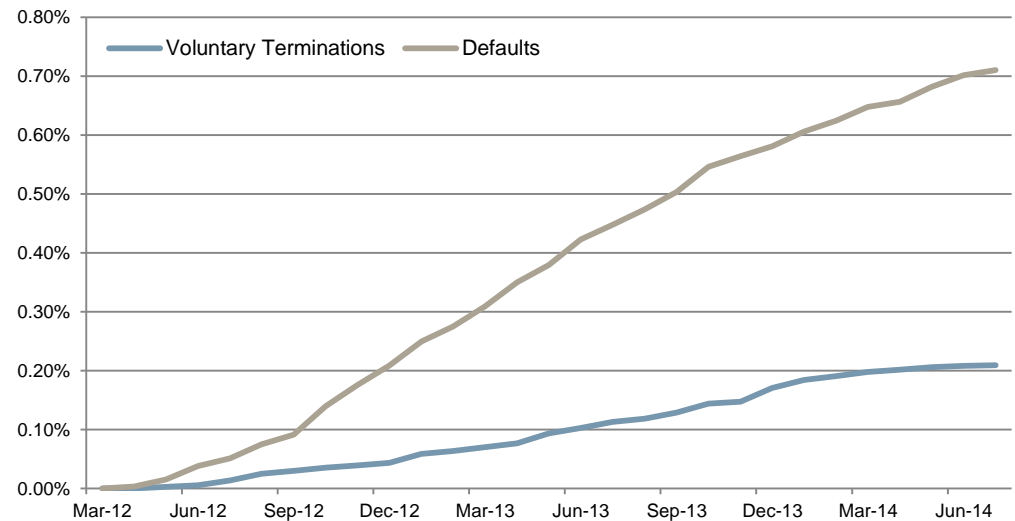
## Delinquency trends



## CPR



## Cumulative Net Loss



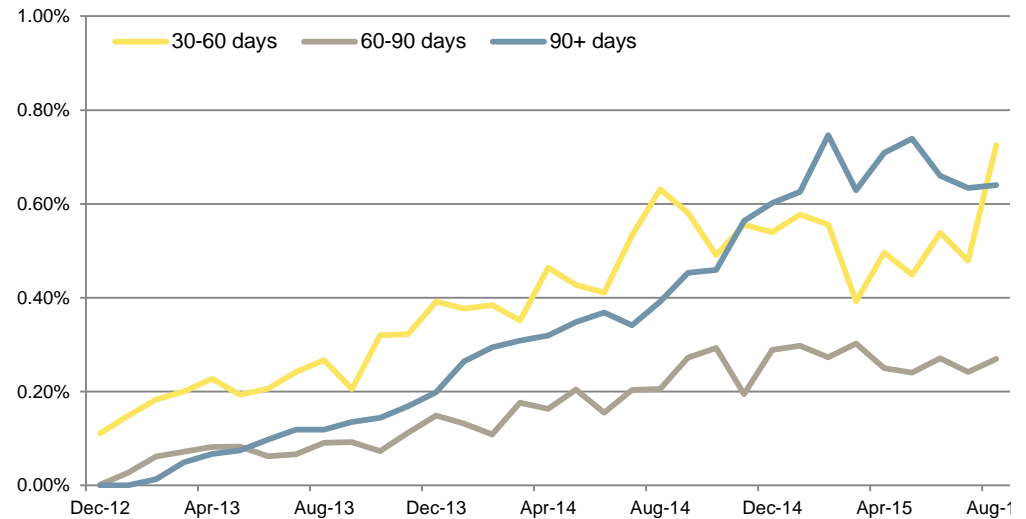
Source: Turbo Finance 2 plc Investor report, Aug 2014, Fitch Ratings, refer to website for announcement / Moody's Ratings, refer to website for announcement

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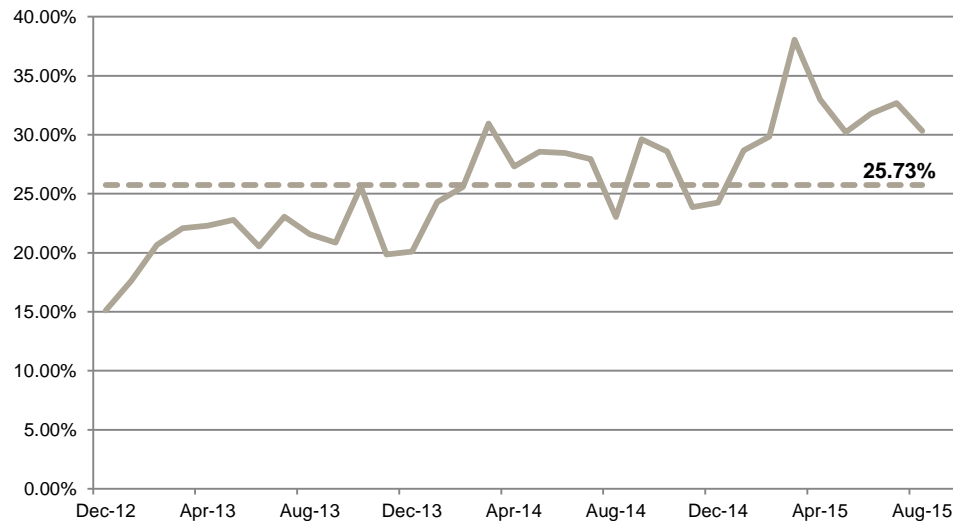
# Turbo Finance 3 plc: Clean-up Call Exercised

- Turbo 3 has performed well with a cumulative net loss of 0.76% at the end of August 2015
- As at the August IPD, the clean-up call option was exercised, with redemption of all outstanding notes expected on the September IPD
- CPR currently stands at 30.3% with an average CPR to date is 25.73%
- Voluntary terminations has remained low with 0.68% of the original portfolio having exercised this right. The cumulative net loss attributable to VT was 0.15%
- On 17<sup>th</sup> December 2013 Fitch upgraded the Class B notes of Turbo 3 to AAsf

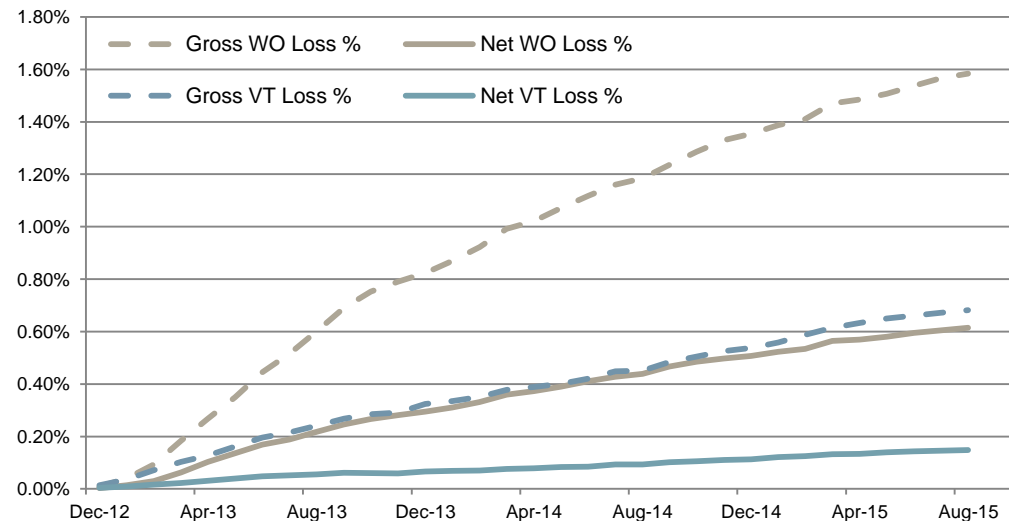
## Delinquency trends



## CPR



## Cumulative Net Loss



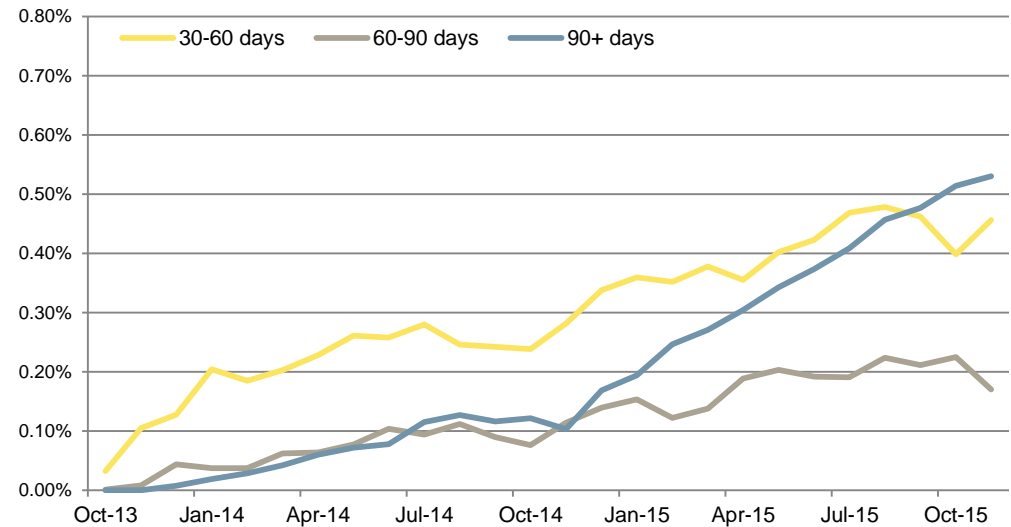
Source: Turbo Finance 3 plc Investor report, Aug 2015, Fitch Ratings, refer to website for announcement

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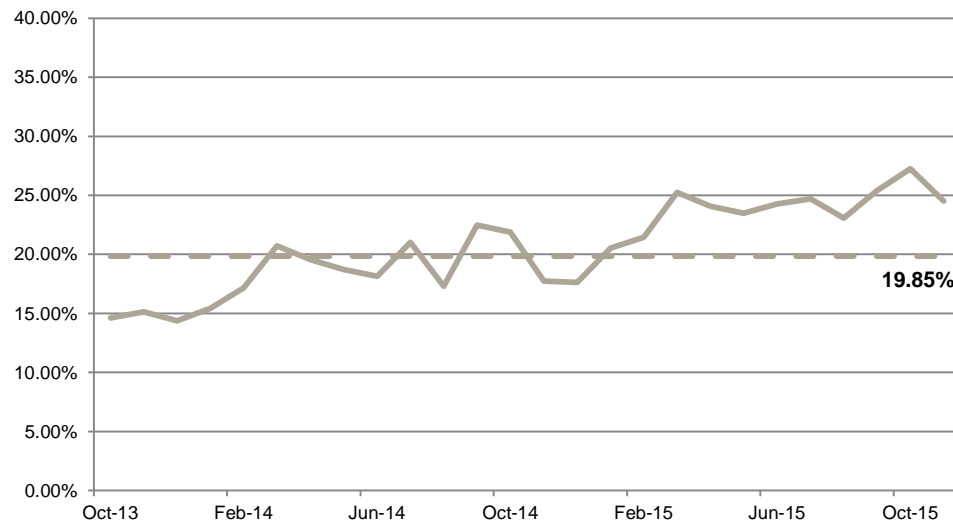
# Turbo Finance 4 plc: Performance update

- Turbo 4 has performed well since closing in October 2013 with cumulative net losses at 0.54% as at the end of November 2015
- CPR is currently 24.5%. Average CPR to date is 19.85%
- Voluntary terminations remain low with 0.34% of the Initial and Additional Purchased receivables having exercised this right. The cumulative net loss attributable to VT was 0.09%
- Turbo 4 delinquencies remain low with 30+ arrears at 0.46%, 60+ arrears at 0.17% and 90+ arrears at 0.53%
- On the 17<sup>th</sup> September 2015, Fitch upgraded the Class B and C notes to AA-sf and BBB+sf from A+sf and BBBsf respectively

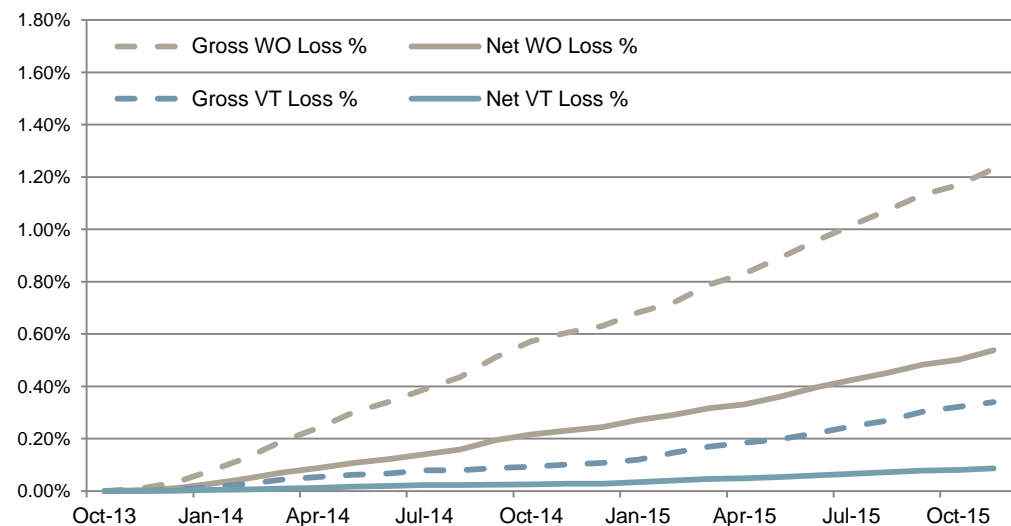
## Delinquency trends



## CPR



## Cumulative Net Loss

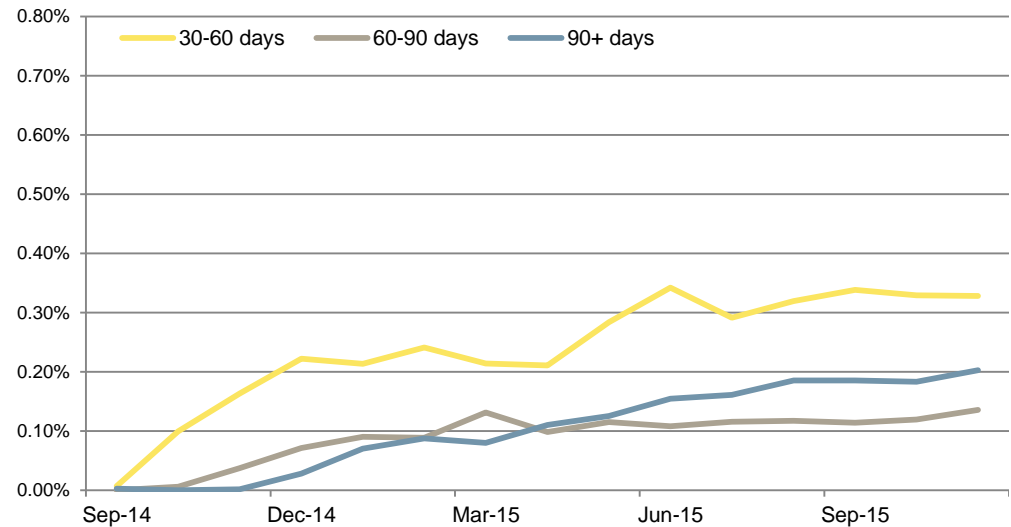


Source: Turbo Finance 4 plc Investor report, Aug 2015

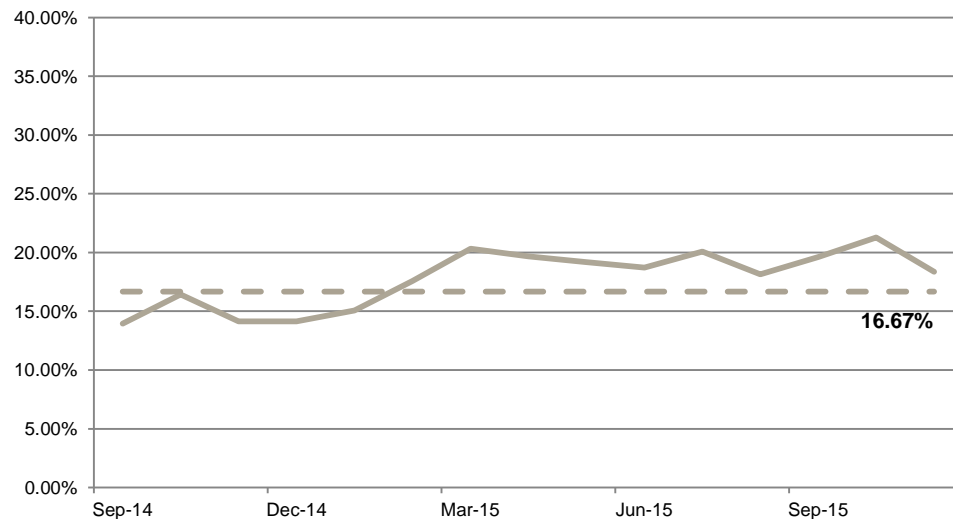
# Turbo Finance 5 plc: Performance update

- Turbo 5 has been performing as expected since closing in September 2014 with the 12 month revolving period concluding October 2015
- Cumulative net losses to date amount 0.32% as at the end of November 2015
- CPR is currently 18.37%. Average CPR to date is 16.67%
- The cumulative net loss attributable to Voluntary Terminations are at 0.05%
- Turbo 5 delinquencies are tracking at 0.33% for 30+ arrears, 0.14% for 60+ arrears and 0.20% for 90+ arrears

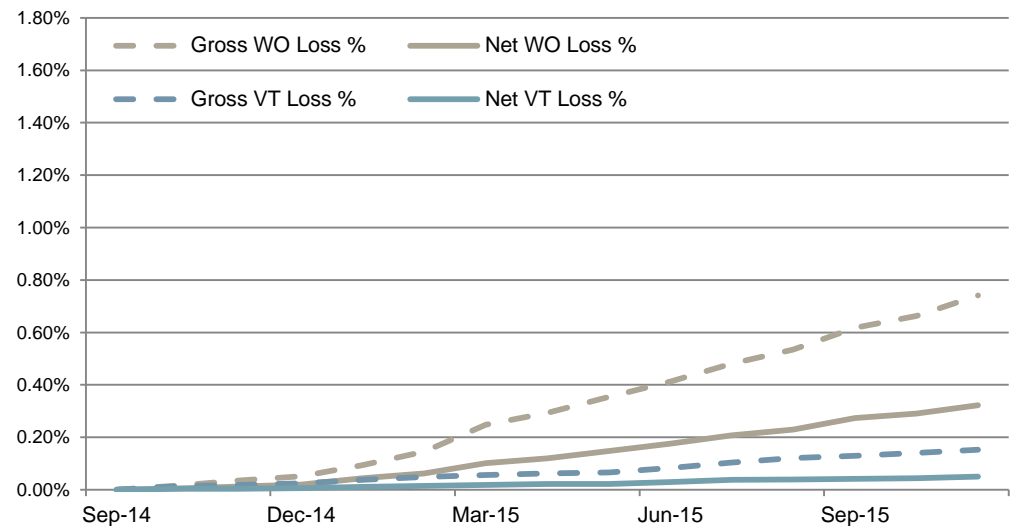
## Delinquency trends



## CPR



## Cumulative Net Loss



Source: Turbo Finance 5 plc Investor report, Aug 2015

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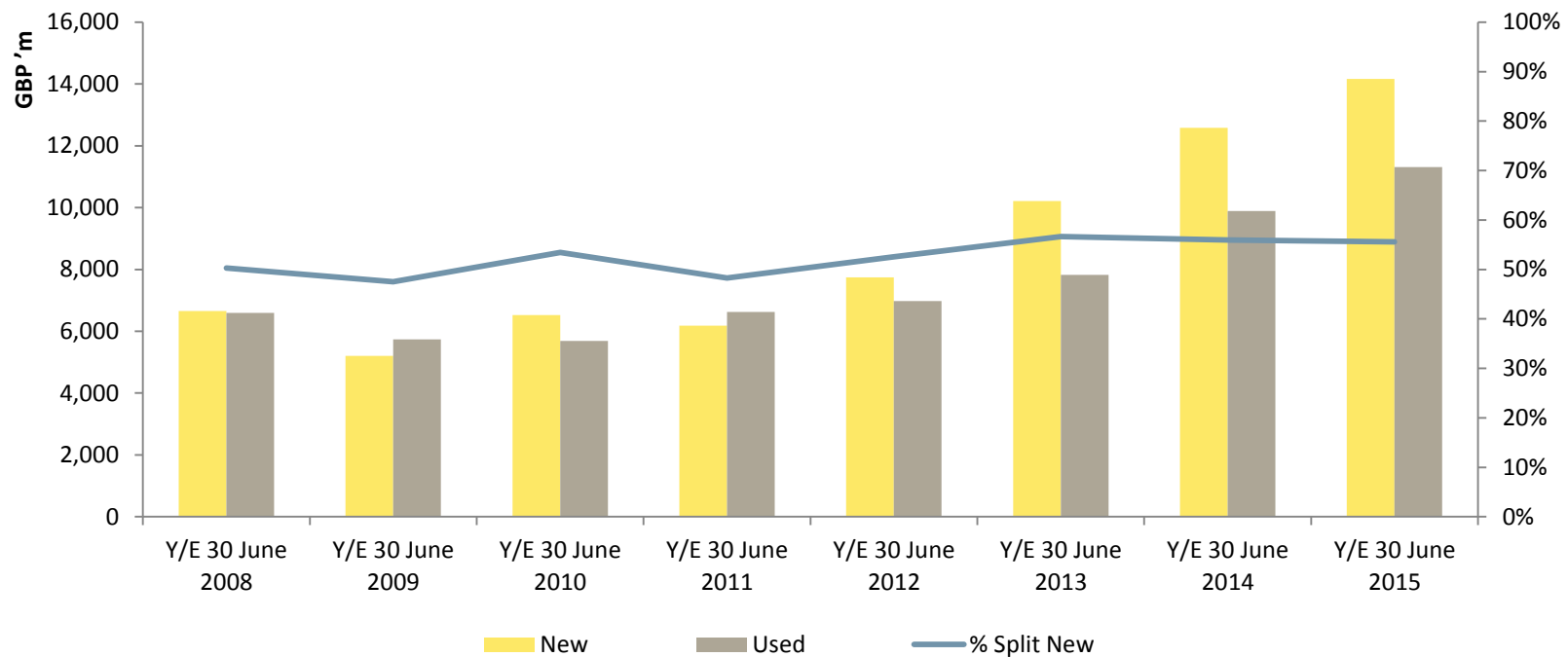
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# UK motor finance industry

- New and used car financing continued to grow strongly in 2015 buoyed by improving economic conditions, returning consumer confidence and healthy levels of vehicle sales, particularly in the new car market. The growth has been accompanied by good lending margins, robust arrears performance and exceptional returns both within the captive and independent sectors
- Through 2015 we expect increasing competition from both the Point of Sale (“**POS**”) lender community and the direct lender community attracted to the returns in the sector. We also expect increasing market interest rates to bring some downward pressure on interest margins but this to be largely compensated for by further market growth and a stable position on arrears.
- The industry is also undergoing change following the transfer of responsibility for Consumer credit from the OFT to FCA. The new regulatory approach is still being absorbed and digested by dealers, lenders and consumers.

**Annual Consumer Business Origination by Value**



Source: Finance and Lease Association (“**FLA**”) Motor Finance Historical Statistics, MotoNovo Finance

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# UK motor finance industry (cont'd)

- UK Consumer Motor New Business Origination

Rolling 12 months	Period	Hire Purchase	Personal Contract Purchase	Personal Loans	Total	Total % Growth
New cars to June	2014/2015 (As at June 2015)	2,732m	11,206m	226m	14,164m	13.00%
	2013/2014	2,939m	9,410m	231m	12,580m	23.00%
	2012/2013	2,714m	7,204m	295m	10,213m	32.00%
	2011/2012	2,480m	5,048m	212m	7,740m	26.00%
	2010/2011	1,928m	4,054m	147m	6,129m	-3.00%
	2009/2010	2,508m	3608m	191m	6,307m	
Used Cars to June	2014/2015 (As at June 2015)	6.566m	4.022m	722m	11,310m	14.00%
	2013/2014	6,119m	2,934m	841m	9,894m	27.00%
	2012/2013	5,026m	1,863m	931m	7,820m	12.00%
	2011/2012	4,504m	1,483m	994m	6,981m	6.00%
	2010/2011	4,334m	1,292m	970m	6,596m	5.00%
	2009/2010	4,191m	1,092m	998m	6,281m	
MotoNovo New Business to June	2014/2015 (As at June 2015)	1,093m	52m	9m	1,154m	44.00%
	2013/2014	795m	9m	-	804m	58.00%
	2012/2013	508m	-	-	508m	16.00%
	2011/2012	438m	-	-	438m	20.00%
	2010/2011	366m	-	-	366m	35.00%
	2009/2010	271m	-	-	271m	

- UK wide arrears (31 days or more in arrears)

Product (%)	Jun-15	May-15	Apr-15	Dec-14	Dec-13	Dec-12	Dec-11	Dec-10	Dec-09	Dec-08
Personal Contract Purchase	0.2	0.3	0.2	0.2	0.2	0.3	0.4	0.4	0.6	1.7
Hire Purchase	1.1	1.1	1.1	1.1	1.3	2.3	3.3	3.8	3.8	10.5
POS personal loan	3.5	3.6	3.6	3.6	3.9	6.8	9	9.9	4.7	4.4
Direct personal loan	3.2	3.3	3.3	3.6	4.4	5.2	6.5	7.7	n/a	n/a
Direct secured loan	16.1	16.6	16.5	17.0	19.6	20.7	20.7	22.2	21.3	18.8

Source: FLA Industry Trends

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# Market size and split for 2015

New Business (Retail)	Captives (Prior Year)	Independents (Prior Year)	Total (Prior Year)	MotoNovo (Market Share)
New Cars	£13.08bn (£11.8bn)	£2.4bn (£1.5bn)	£15.48bn (£13.3bn)	£0.044bn 1.9% (1.7%)
Used Cars	£4.71bn (£4.16bn)	£5.452bn (£3.93bn)	£10.16bn (£8.09bn)	£0.813bn 14.9% (12.3%)
LCV	£0.73bn (£0.62bn)	£0.64bn (£0.42bn)	£1.37bn (£1.04bn)	£0.12bn 18.2% (13.6%)
Motorcycles			£0.27bn (£0.23bn)	£0.32bn 11.9% (4.3%)
Other			£0.63bn (£0.56bn)	£0 (0%)
<b>Total</b>	<b>£18.52bn (£16.58bn)</b>	<b>£8.49bn (£5.85bn)</b>	<b>£27.91bn (£23.22bn)</b>	<b>£1.009bn 11.0% (9.9%)</b>
<b>Finance Type</b>				
Hire Purchase	£4.17bn (£4.29bn)	£5.46bn (£4.25bn)	£9.63bn (£8.54bn)	£0.937bn 17.8% (13.6%)
Personal Contract Purchase	£12.49bn (£10.57bn)	£2.79bn (£1.07bn)	£15.28bn (£11.64bn)	£0.032bn 1.1% (0%)
Motor loan	£0.03bn (£0.037bn)	£0.0820bn (£0.948bn)	£0.850bn (£0.985bn)	£0 (0%)
Leasing	£2.15bn (£2.01bn)	£0.0bn	£2.15bn (£2.01bn)	£0 (0%)
<b>Total Outstanding</b>	<b>£28.86bn (£31.3bn)</b>	<b>£12.78bn (£10.66bn)</b>	<b>£41.64bn (£41.96bn)</b>	<b>£1.138bn 8.9% (8.1%)</b>
Live Agreements (Count)	2,568,144 (2,221,099)	1,834,679 (1,588,850)	4,402,823 (3,809,949)	197,339 10.8% (9.1%)

- The captives population comprises Banque PSA Finance UK, BMW Financial Services (GB) Limited, FCA Automotive Services UK Limited, Ford Credit – FCE Bank plc, GMAC UK plc, Honda Finance Europe plc, Mercedes-Benz Financial Services UK Limited, RCI Financial Services Limited, Toyota Financial Services (UK) plc and Volkswagen Financial Services (UK) Limited
- The independent population comprises Black Horse Motor Finance, Santander Consumer, Barclays Partner Finance, Close Motor Finance, Northridge Finance and MotoNovo Finance

Source: MotoNovo Management

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# About FirstRand and FirstRand Bank

Bloomberg ticker: FSR:SJ

- FirstRand Bank (“**FRB**” or the “**Bank**”) is a wholly-owned subsidiary of FirstRand Limited (“**FirstRand**” together with its subsidiaries, the “**Group**”), which is listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX). The bank provides a comprehensive range of retail, commercial, corporate and investment banking services in South Africa and offers niche products in certain international markets.
- The bank has three major operating divisions (also referred to as franchises) which are separately branded. First National Bank (FNB), the retail and commercial bank, Rand Merchant Bank (RMB), the corporate and investment bank, WesBank, the instalment finance business. The FCC franchise represents group-wide functions. FRB has branches in London, India and Guernsey, and representative offices in Kenya, Angola, Dubai and Shanghai.
- Certain activities of these operating franchises are also undertaken outside of the bank in other wholly-owned subsidiaries of FirstRand, namely, FirstRand EMA Holdings Limited (FREMA), FirstRand Investment Holdings (Pty) Ltd (FRIHL) and FirstRand Insurance Holdings.
- As at 30 June 2015, FRB was the second largest bank in South Africa measured by total assets (according to statistics published by the South African Reserve Bank (Source: BA900, SARB)). As at 30 June 2015, FRB had total assets of R917billion (equivalent to USD75.6 billion at a USD/ZAR exchange rate of 12.14), compared to R835 billion (equivalent to USD78.5 billion at a USD/ZAR exchange rate of 10.63 as at 30 June 2014).

	South Africa sovereign ratings		FirstRand Bank Limited credit ratings			
	FOREIGN CURRENCY		FOREIGN CURRENCY		LOCAL CURRENCY	
	Long-term/ Outlook		Long-term/ Outlook	Short-term	Long-term/ Outlook	Short-term
Standard & Poor's	BBB-/Negative		BBB-/Negative	A-3	BBB-/Negative	A-3
Moody's	Baa2/Negative		Baa2/Negative	P-2	Baa2/Negative	P-2
Fitch Ratings	BBB-/Stable		BBB-/Stable	F3	BBB-/Stable	-

Credit ratings as of 29<sup>th</sup> January 2016

[www.firststrand.co.za](http://www.firststrand.co.za)

Source: FRB Investor Relations

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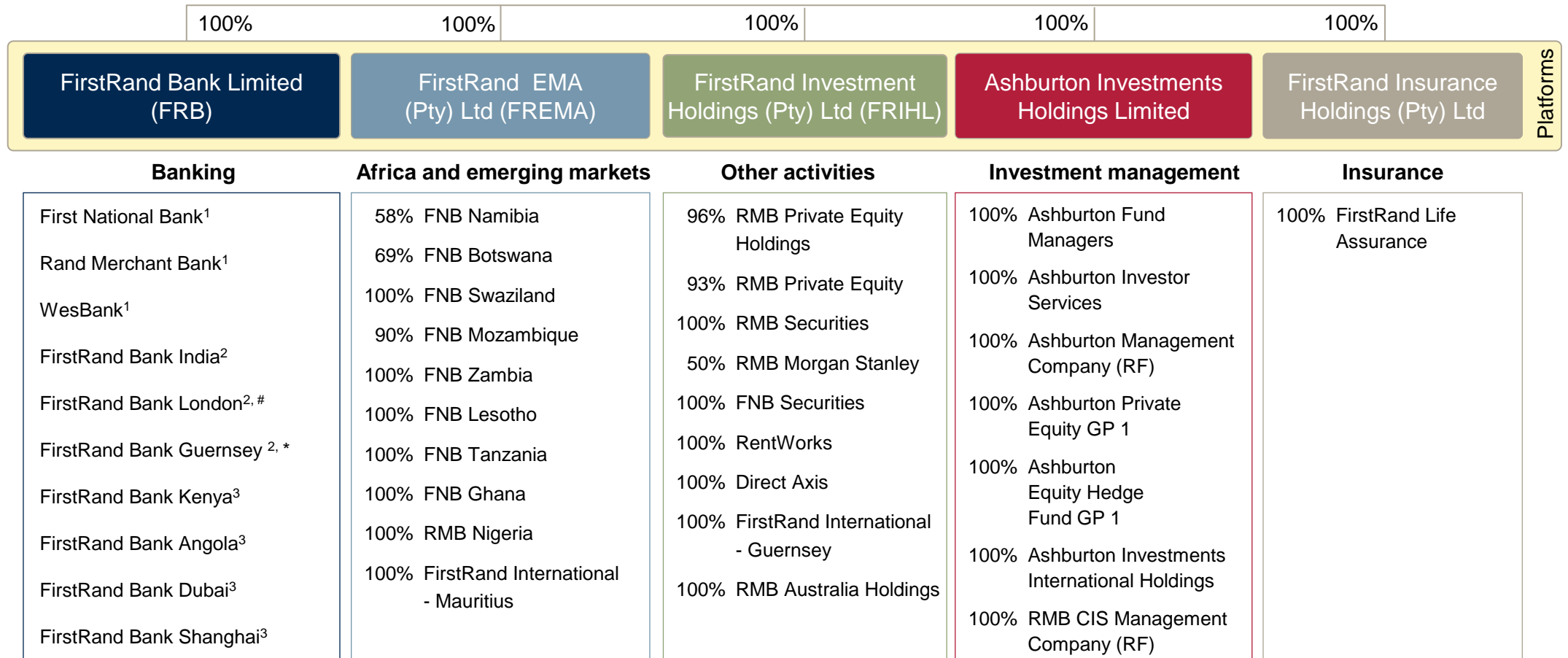
# Simplified legal structure



## FIRSTRAND

Listed holding company (FirstRand Limited, JSE: FSR)

Strategy set at group level



Platforms

Structure shows effective consolidated shareholding.

1 Division

2 Branch

3 Representative office

# MotoNovo Finance is a business segment of FirstRand Bank Limited (London Branch)

\* Trading as FNB Channel Islands

# Group operating model – portfolio of operating franchises



## FIRSTRAND

Listed holding company (FirstRand Limited, JSE: FSR)



Group-wide functions



Retail and commercial bank



Corporate and investment bank



Instalment finance




Investment management

- FirstRand Bank Limited (London Branch) is registered in England (Branch Reg. No: BR010027). FirstRand Bank Limited is authorised and regulated by the South African Reserve Bank (SARB). Authorised by the Prudential Regulation Authority (PRA). Subject to regulation by the Financial Conduct Authority and limited regulation by the PRA. Details about the extent of regulation by the PRA are available on request.
- FirstRand Bank Limited (London Branch) is a branch of FirstRand Bank Limited, a public limited company registered with the Companies and Intellectual Property Commission in South Africa (Reg. No. 1929/001225/06).
- Regulatory capital requirements of the UK operations are measured on South African regulatory standards and regular reports are submitted to the SARB as required which monitors compliance with these standards.
- MotoNovo Finance is a business segment of FirstRand Bank Limited (London Branch).
- In terms of the group's management structure, MotoNovo forms part of the broader WesBank franchise.

Source: FRB Investor Relations